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America's Biggest Charities Are Funneling Millions to Hate Groups From Anonymous Donors

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February 19, 2019

Several charitable gift funds, including the largest charity in the United States, are helping dozens of hate groups raise millions of dollars by giving their donors a way to keep their identities secret.

Donors Trust, Fidelity Charitable Gift Fund, Schwab Charitable Fund, and Vanguard Charitable are donor-advised funds that provide individual donors with accounts and contribute their money, attributed to the funds, to the nonprofits of the donors' choice. These kinds of funds allow donors to keep their charitable money in one place and to save on taxes. They also help these donors keep their names secret by eliminating paper trails at the Internal Revenue Service (IRS) and the organizations receiving the funds that could tie them to their donations.

A Sludge analysis of recent tax filings shows that, from mid-2014 through 2017, these four donor-advised funds combined to give nearly \$11 million to 34 groups that the Southern Poverty Law Center (SPLC) considers to be hate groups, according to its [2017 hate map](#). These hate groups include 12 anti-LGBT groups, 12 anti-Muslim groups, eight anti-immigrant groups, one white nationalist group, and one radical traditional Catholic group.

Anti-Muslim nonprofits including the David Horowitz Freedom Center (\$3 million) and Frank Gaffney's Center for Security Policy (\$1.6 million), anti-LGBT organizations such as Alliance Defending Freedom (\$2.7 million) and the Family Research Council (\$548,000), and the white nationalist organization the VDARE Foundation (\$46,000) have all received funds from one or more of the donor-advised funds investigated by Sludge.

"Ultimately, these [donor-advised fund] companies are serving as pass-throughs to hate groups," Heidi Beirich, director of the Intelligence Project at the Southern Poverty Law Center (SPLC), told Sludge. "There's no way around it."

Beirich said the SPLC has a high bar for listing organizations as hate groups. SPLC looks for "organizations that demean or debase an entire other group of people based on their inherent characteristics." Hate groups are those that issue "serious slurs"—for example, claims that Jews are evil or gay men are pedophiles.

The four funds examined by Sludge do not appear to have effective screening policies, or they do not have policies against providing funds to hate groups at all. Fidelity Charitable, launched in 1991, is currently the [largest charitable organization in the U.S.](#) Its donors may give to "virtually any 501(c)(3) public charity." The fund donated nearly \$4.9 million to 31 hate groups over the 2015 to 2017 fiscal years.

Sludge was unable to obtain the relevant tax records of Goldman Sachs Philanthropy Fund, another major donor-advised fund sponsor, in time for publication.

Sophie Launay, vice president of communications at Fidelity Investments, which is not legally affiliated with Fidelity Charitable but is a “service provider” to the fund, told Sludge in an email,

“Fidelity Charitable has systems in place to monitor public records (e.g., news reports) involving the philanthropic sector to identify issues that could affect a potential grantee’s ability to use Fidelity Charitable’s grants for charitable [purposes]. If there are concerning reports identified regarding a specific charity, Fidelity Charitable documents such reports, and considers the information in the event a grant is recommended to the charity involved.”

Vanguard Charitable, which donated over \$2.5 million to nine hate groups from FY2015 to FY2017, is also a distinct, public charity that’s legally separate from investment firm Vanguard. Rebecca Moffett, chief strategic planning officer at Vanguard Charitable, told Sludge that the fund, like Fidelity Charitable, is “cause-neutral” and donates to any public charity that’s in good standing with the IRS.

“We believe that philanthropy can best increase the public good when a variety of ideas, views and projects are supported by philanthropic dollars,” said Moffett. “Vanguard Charitable donors hold a variety of views across the political spectrum, and as such Vanguard Charitable supports organizations which may be on opposing sides of issues/debates.”

Schwab Charitable has the same requirements for donation recipients. Donors Trust places only two restrictions on the nonprofits that may receive its funding: if the organization receives more than one-quarter of its funding from the government and if it “seeks to expand the size and scope of government through its work.”

Donors Trust and Schwab Charitable did not return requests for comment.

Whatever systems may be in place have not prevented Fidelity Charitable and Vanguard Charitable from continuing to donate money to hate groups such as the VDARE Foundation or the Family Research Council, which a quick web search shows are considered hate groups by some experts.

Peter Brimelow, president of the VDARE Foundation, said in 2017 that “crime in this country is ethnically variegated. There’s ethnic specialization in crime. And Hispanics do specialize in rape, particularly of children. They’re very prone to it, compared to other groups.”

“One of the primary goals of the homosexual rights movement is to abolish all age of consent laws and to eventually recognize pedophiles as the ‘prophets’ of a new sexual order,” claimed one Family Research Council publication from 1999.

Some grant-giving organizations, including certain private foundations and Amazon Smile, do have policies on hate organizations. Amazon’s program does not allow its donors to give to nonprofits that are on SPLC’s list of hate groups, halting donations to organizations such as Alliance Defending Freedom. The program also relies on information from the U.S. Office of Foreign Assets Control to determine groups’ eligibility.

“Organizations that engage in, support, encourage, or promote intolerance, hate, terrorism, violence, money laundering, or other illegal activities are not eligible to participate,” according to Amazon Smile’s website.

“This is really a choice by the [donor-advised fund] company whether or not they care about where these funds end up,” said SPLC’s Beirich.

Abbas Barzegar, director of research at Council on American-Islamic Relations (CAIR), told Sludge that because donor-advised funds are “so large and so institutional and so commercial,” he doesn’t think they have done enough to put in controls to prevent their own exploitation. “The lack of [hate group] policies is a major gap that these organizations are going to need to address in order to protect themselves from being exploited by donors who would rather not have their names appear on these records,” said Barzegar.

“The biggest takeaway is that other donors might not realize that the foundation they’re donating to is also funding hate groups and bigoted groups, so what’s at stake is the integrity of the tradition of American philanthropy,” said Barzegar. “I believe that the tax structure and the mechanism of the donor-advised fund itself is what’s leading to this type of activity.”

Anti-Muslim Hate

Donors Trust’s [Mission & Principles webpage](#) begins with the words, “Principled Giving.” “We make grants to charities that do not rely on government funding but do promote the foundations of civil society: limited government, personal responsibility, and free enterprise,” states the fund. Donors Trust is “the only donor-advised fund dedicated to promoting a free society,” it continues.

But Donor’s Trust contributed over \$1 million to nine SPLC-designated hate groups over 2015-17 calendar years, according to Sludge’s analysis. The biggest recipients among these are anti-Muslim groups the Center for Security Policy (close to \$850,000) and the David Horowitz Freedom Center (nearly \$160,000).

Barzegar would certainly dispute that Donors Trust’s contributions to anti-Muslim groups promote a free society. Out of the 12 anti-Muslim groups funded by the donor-advised funds reviewed by Sludge, two stood out to him. The American Freedom Law Center, which received \$317,000 from Fidelity Charitable and \$160,000 from Schwab from FY2015 to FY2017, and the Center for Security Policy, which took in nearly \$1.6 million from all four funds over roughly the time period, “work hand in hand in the legal arena,” said Barzegar. “The work they do has real lasting damage,” calling the groups “the most pernicious” of the anti-Muslim groups identified by Sludge.

These two nonprofits “operate in manipulation of state legislatures and through courts,” Barzegar said. “They try to influence law and influence policy.” One example is the Sharia law campaign in which numerous states have passed legislation that the Haas Institute for a Fair and Inclusive Society at U.C. Berkeley [describes](#) as “bills were put forth with the intention to exacerbate an already-hostile climate of fear of Muslims and to further institutionalize and legalize their exclusion from society.”

The American Freedom Law Center’s founder, David Yerushalmi, wrote the original anti-Sharia law model legislation in 2010. Yerushalmi is also general counsel for the Center for Security Policy, which was [revealed](#) to have worked directly with an Idaho state representative to introduce that state’s anti-Sharia bill.

This anti-Muslim legal work “really damages the ability of groups to be able to fight back against Islamophobia because” it takes significant resources “to fight things at the legal level or at the political lobbying level,” Barzegar said. “These people simply outmatch the resources that advocacy groups have... They have deep, deep pockets, and the funding goes directly towards undermining central American institutions.”

The American Freedom Law Center received a total of \$3.5 million in contributions during the calendar years of 2015-17. Fidelity Charitable and Schwab Charitable donated \$477,000 to the group during the 2015-17 fiscal years (the 2015 fiscal year began on July 1, 2014 and ended on June 30, 2015), equivalent to 14 percent of the American Freedom Law Center’s 2015-17 revenue.

The four donor-advised funds contributed \$1,577,000 to the Center for Security Policy during the last three years on record, equivalent to 8.7 percent of the group’s contribution revenue from 2015-17.

The donor-advised funds contributed to other prominent anti-Muslim groups including the David Horowitz Freedom Center (over \$3 million over three years from all four groups and Donors Trust’s sister group, Donors Capital Fund) and Pamela Gellar’s American Freedom Defense Initiative (\$385,000 over three years from all four groups). Fidelity Charitable also gave \$1,725 to Jihad Watch, a project of the David Horowitz Freedom Center run by noted Islamophobe Robert Spencer.

The Freedom Center’s 2017 tax form is not publicly available, but the nonprofit took in close to \$10.2 million in contributions from 2015-16. The four donor-advised funds routed over \$3 million to the Freedom Center over the 2015-17 fiscal years (calendar years in the case of Donors Trust and sister group Donors Capital Fund), making up a sizeable chunk of the Freedom Center’s contribution revenue.

The 12 anti-Muslim groups identified by Sludge took in the more money from the four donor-advised funds over the recent three-year period—over \$6.2 million—than organizations in the other hate group categories.

Anti-LGBTQ Groups

Also discriminating against groups of people through legal means is Alliance Defending Freedom, a giant network of right-wing Christian lawyers who have supported criminalizing homosexuality in the U.S. and abroad, defended state-sponsored sterilization of transgender people in Europe, and linked gay men to pedophilia.

While Alliance Defending Freedom, followed by the David Horowitz Freedom Center, got the most money among anti-LGBT hate groups from the donor-advised funds from 2015-17, two others, the American Family Association (\$326,000 from Fidelity Charitable and Schwab Charitable) and the Liberty Counsel (\$107,000), took in six-figure amounts.

The four donor-advised funds contributed close to \$3.8 million to anti-LGBT nonprofits from 2015-17.

It’s up to the Funds

Ray Madoff, co-founder and director of the Boston College Law School Forum on Philanthropy and the Public Good, told Sludge that the donor-advised fund sponsors “have the power” to change things.

“It’s their money legally, and so it seems to me that there’s no reason why one couldn’t bring to bear pressure on all of these organizations to say, ‘Hey, you should not allow funds to go to these organizations,’” Madoff said. “[Donor-advised fund sponsors] claim to be for the public good... Well, I would add this to the list of things they should do—they should have a list of organizations that are questionable and consider not allowing donations to them.”

Barzegar agrees that donor-advised funds need to act. They “should immediately implement review processes and audits to make sure that their institutions are not being exploited by people who want to funnel money to hate groups,” said Barzegar. The reviews and audits “should be transparent and open to the public, and stakeholders should be brought in to help develop such review processes. If the donor-advised funds don’t know who is a hate group...they need CAIR, SPLC, the [American Civil Liberties Union], and others to show them why these groups are unsavory. But they need to build that capacity out within themselves, and they need set up certain kinds of policies to make sure that they remain responsible stewards of the public trust.”

A ‘Double Tax Benefit’

The IRS doesn’t have a hate group policy either. The agency has granted nonprofit status to a slew of organizations that are very clearly hate groups, including VDARE and Richard Spencer’s white nationalist think tank, National Policy Institute.

Barzegar said that “people should look into” the IRS issue. People should “try to engage congressional offices to reconsider what role they can play in this.” Congress could “put in better controls to protect the public interest” regarding hate groups requesting nonprofit status.

On the other hand, Beirich of SPLC thinks that “it’s not necessarily a bad thing” that the IRS doesn’t deny nonprofit status to certain groups because such power could be abused in the future.

The IRS doesn’t tend to prevent hate groups from earning nonprofit status, and therefore donors can get tax benefits for their contributions.

For those donors who want to maintain their anonymity, including those giving through their own foundations, donors can contribute to these groups through donor-advised funds. These funds allow individuals to get “the maximum tax benefits with no requirements for the money to ever get to charities,” said Madoff.

Donor-advised funds allow donors to contribute a variety of assets to their accounts, including cash, stocks, and private business interests. Donating appreciated assets like stocks or business shares can give contributors a “double tax benefit,” Madoff said. If the donated property increased in value, donating it to a donor-advised fund exempts that gain from capital gains taxes that the property would normally be subjected to after a sale. That’s on top of the income tax deduction that charitable donors get by making the donations.

This system “enables you to give appreciated stock to a donor-advised fund sponsor, they sell it, and then you have a pile of cash with which to make charitable contributions,” said Madoff.

Donors save money by scoring an immediate tax deduction when they deposit money into their accounts and can then have the funds distribute the money to charities at their own pace. While in the fund, a donor's assets are invested by the fund sponsor, allowing the money to grow with the market, until the donor is ready to fund specific nonprofits.

At least in part due to these tax benefits, the use of donor-advised funds is rising in popularity, having seen a huge surge in donations over the past few years. In 2017, roughly 10% of individual donations in the U.S. went through donor-advised funds, more than double the 2011 rate, according to the National Philanthropic Trust. Donations to hate groups through Donors Trust, Fidelity, Schwab, and Vanguard have increased from mid-2014 through 2017, according to Sludge's review of tax documents.

Anonymous giving through donor-advised funds mirrors political dark money. Donors Trust, for example, is known as a major vehicle for cash from the billionaire Koch brothers, conservative deci-billionaires known for their vast right-wing political network. Through their family foundations, predominantly the Charles Koch Foundation, the Kochs donate directly to conservative think tanks, and they and other members of their network likely also funnel millions through Donors Trust and Donors Capital Fund each year to think tanks such as the American Enterprise Institute and the Cato Institute, and political networks including the State Policy Network, the Federalist Society, and the American Legislative Exchange Council (ALEC).

Other Republican megadonors who use Donors Trust include the family of Education Sec. Betsy DeVos, the Bradley family, and the family foundation of former Illinois Gov. Bruce Rauner.

It's impossible even for the IRS to know which individuals are funding the 34 hate groups identified by Sludge through donor-advised funds. But it's clear that bad actors are legally using the funds to fuel hate.

"It's really up to the company," said Beirich, "whether it's Fidelity or anybody else, to make the decision if they're going to be in the business of funding hate groups."

Jeremia Kimelman and Alex Curtis provided data analysis.