## Special Case Study

# The "Dogged" College Professor vs. The "King" of Charitable Giving: A Lesson in Professional Stewardship from The Foundation for New Era Philanthropy

## STUDENT CASES A, B, & C

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### References

**Author's Note**

These cases are based upon the story of Professor Albert Meyer and his exposé of the Foundation for New Era Philanthropy Ponzi scheme. Attributions to him are based on personal interviews conducted in Indianapolis on June 7, 8, 9, 1999 and on personal files provided to the author at that time. The three cases can be most effectively used in sequence, but they have also been prepared with individual use in mind. The three Exhibits referenced and Appendix A are common to all three cases.

The author would like to recognize the support of Messiah College, which partially funded the project through a scholarship grant, and Dr. Dan Vellenga, a key source of encouragement and information. The cases are dedicated to Albert Meyer, whose profile of faith and moral courage has challenged me to be faithful.

## CASE A-FORENSIC ACCOUNTING IN ACTION

### I .The Adversaries

Easter Sunday night 1995 found Albert Meyer, a middle-aged accounting professor at Spring Arbor, an obscure Christian liberal arts college of the Free Methodist denomination in Michigan, wracked by self-doubt as he paced the floor of his home, wrestling with the possibility that his campaign to unmask a massive pyramid scheme in the not-for-profit (NFP) sector could be off-base. His detractors saw him as a well-intentioned, but totally misguided, Don Quixote tilting at windmills and endangering a major source of philanthropic support. Professor Meyer argued with himself: "You know Jack Bennett is a fraud! But what if Sir John Templeton[1] really is the angel? No! You know all of the evidence points to a Ponzi scheme![2] But what will happen to our family if I'm wrong and Templeton is the anonymous donor?" and on and on.

### *John G. Bennett*

John Bennett, the object of Professor Meyer's investigation, had risen rapidly to national prominence in the world of charitable giving since the 1989 founding of his Foundation for New Era Philanthropy (New Era) in Philadelphia. In 1994 a couple hundred not-for-profit organizations (NFPs) had entrusted approximately $140 million to New Era in the expectation that their funds would be **doubled** in six months. New Era purportedly used prearranged contributions from a handful of wealthy anonymous donors to 100 percent match the entrusted funds—provided that they were designated for causes which met the New Era program guidelines. Among the NFPs seeking to **double** the effectiveness of their fund-raising efforts were most of the prominent evangelical parachurch organizations including Focus on the Family, Prison Fellowship, World Vision, and Wheaton College.

Bennett, affectionately called Jack by colleagues and friends, was the consummate "Main Line" Philadelphian. While not wealthy, and a 1963 graduate of Temple University rather than the more prestigious Penn, he was nevertheless connected, urbane, effective—a doer and charismatic—a leader. A former administrator of a substance abuse program during the '70s and '80s, he acquired a reputation for helping NFPs develop their financial and management infrastructures, including development of effective fund-raising skills and strategies through his consulting firm, Human Resource Management. In 1982 he formed the Center for New Era Philanthropy[3] to assist Foundations in their screening and vetting of tentative charities. "In 1987, [one of his clients] Bell Telephone endowed the Bell Institute for Nonprofit Excellence to train nonprofit corporations in business and management, [and] the institute was directed from the offices of New Era. [It] conducted three-day sessions which required the attendance of at least three individuals including at least one board member of each nonprofit ... admitted to the training session" (Staff Report, 1995, p. 11). "The program earned Mr. Bennett tremendous respect ... as many lauded the professionalism and practicality of the seminars" (Stecklow, 1995, May 19, p. A5). The Bell Institute endured into the 1990s as part of New Era's activities. Participants in the New Era matching program were also offered fund-raising consultant help through the Templeton Institute, a two and one-half day seminar that taught NFPs how to become more fundable in the eyes of grant makers. Hence, the avowed purpose of New Era was to advance the development of new and expanded financial resources for NFPs with multi-faceted, innovative, professional programs.

Sir John Templeton placed Bennett on the boards of several of the Templeton mutual funds, and Bennett also served on the boards of a number of Christian and NFP organizations such as the One to One Partnership, whose board included such prestigious people as former governors Thomas Kean of New Jersey and George Romney of Michigan; Mario Cuomo's wife, Matilda; and Vivian Weyerhaeuser Piasecki, a member of the prominent paper company family. Bennett was characterized by One to One officials as one of its most diligent board members. "He asked the good, intelligent questions you would want a director to ask" (Stecklow, 1995, June 2, p. A4). Introduced to the members of the Links Club, including Julian Robertson (manager of a $6 billion hedge fund for wealthy families, foundations, and endowments), by J. Douglas Holladay, Bennett became the major outsider consultant to and a director of Robinson's newly formed Tiger Foundation. He was compensated $124,000 for technical assistance to the Foundation for the period 1991 through 1994, and his fund-raising advice to Foundation beneficiaries was characterized as "excellent" (Jereski, 1995, June 2).

Prior to the formation of New Era in October 1989, he had appeared to be the soul of propriety and an active Christian. Dan O'Neill, president of Mercy Corps, said, "Mr. Bennett seemed like a very cordial and engaging guy—not a shark. ... He certainly did not seem like a manipulator or someone who was out to get rich. He dressed like the average businessperson working for IBM. ... When he took me out to lunch, I think it was a Toyota. It was not a Rolls Royce. It was not a Mercedes ... He did not flash dollars and he did not talk big-money payoffs that seemed exorbitant." Russell Rosser, the president of the Seminary of the East, said, "He had a reputation for Christian values and commitment to Christ. It was obvious in his personal expression of faith and his interest in works of compassion" (Stecklow, 1995, May 16, p. A8).

***"He certainly did not seem like a manipulator ..." —Dan O'Neill***

Here is the story of New Era's formation in Bennett's own words, taken from the 1994 brochure describing the New Concepts in Philanthropy Fund through which "beneficial donors" could receive matching funds from "benefactors" (anonymous donors to New Era).

*Several years ago, I was approached by a long-time friend of significant wealth. This gentleman has donated in excess of sixty percent of his income every year to worthwhile causes, institutions, and needs. His commitment to philanthropy and his love of giving is what has driven him over the last 50 years of his life. He is a man of great compassion, infinite integrity, and love for his fellow man. Certainly, he is a model for all of us who strive to make a difference in this world.*

*This gentleman explained to me that he had given to every charitable organization in which he had a personal interest, and wanted to expand his giving in a different way. His goal was to replicate himself, i.e., the characteristics that drive his life from a philanthropic perspective, through other people. It was his feeling that by encouraging and enhancing the giving of other* ***individuals*** *like himself, the organizations that they support would be similar to those that were of interest to him, thus, enabling him to expand his personal reach beyond his own knowledge base. Knowing that we at the Foundation for New Era Philanthropy were internationally involved with some very special people, I was presented with the following proposal.*

*I was to choose 20 individuals that I felt modeled what this gentleman's life exemplified. These would also be people who would normally contribute a minimum of $5,000 annually to charitable causes. I was to propose to these individuals that they make a contribution of $5,000 to [New Era] instead of writing their checks directly to the [NFP] of their choice. They would then qualify for federal tax deduction under the [New Era]'s exemption. [New Era] would then place their funds totaling $100,000 in an interest-bearing, no risk account. The interest from the investment in the CD/treasury bill would serve to offset administrative costs involved in managing this effort. At the end of the year, the benefactor would wire into our grant account the matching $100,000, and each one of the 20 individuals who had contributed $5,000 would then have the opportunity to distribute $10,000* *to the charitable organizations of their choice.*

Bennett goes on to say that the pilot program was a success and there were now six anonymous benefactors and approaching 80 individual/family foundation beneficiary donors. The pilot program structure was maintained for subsequent program openings which were purportedly underwritten by benefactors via "three-year trust agreements with the benefactors guaranteeing that the matching funds [would] be made available in the approved amounts regardless of death or any other problem occurring with the benefactors." Organizations such as Spring Arbor could not directly apply to participate in the matching fund, but had to be sponsored (nominated) by individual philanthropists, who were usually board members such as Glen White, a retired Chrysler executive at Spring Arbor College, and William Pollard, the chairman of Service Master at Wheaton College. Nominated organizations had to submit an exhaustive application which included a searching self-evaluation, strategic plans, and organizational and fund goals. The literature stressed that matching funds were offered on a "very selective basis." New Era "does not seek your participation, but provides the opportunity. There are far more candidates choosing to enter the program than slots are available."[4] This purported selectivity enhanced the credibility and appeal of the program. "There was the aura of being one of the chosen few," according to Mark Howard of World Vision (Wilkins, 1998).

***Professor Albert J. Meyer, CA, CPA***

Bennett's opponent, on the other hand, was a nearly anonymous and unconnected chartered accountant who had emigrated from South Africa with his family in 1991 to develop the accounting major at Spring Arbor. He had served for three years beginning in 1981 as a senior lecturer in accounting at Cape Technikon in Capetown and then moved on to become assistant academic dean and tenured member of the faculty in advanced financial accounting and taxation at the University of Natal in Durban for the next seven years. His credentials include the U.S. equivalent of a master's of accounting science from the University of South Africa (earned in 1980) and more than four years of auditing experience with Deloitte and Touche in Cape Town. The son of a marketing executive and grandson of a missionary, Albert Meyer came to a personal faith in Jesus Christ as Lord and Savior at age 18 and became a member of an evangelical Baptist church. An avid reader of A.W. Tozer and other Christian classics, Meyer and his family are devout followers of Christ. At Spring Arbor he built the accounting major from two to 53 students and managed to see a substantial number of them pass their CPA exam sections on their first attempt. Having met Dr. Steve Albrecht, head of the prestigious School of Accountancy at Brigham Young University at a seminar in Detroit soon after arriving at Spring Arbor, Meyer visited him in Salt Lake City to review that program as a model for development of the program at his college. Unfortunately, when the New Era chess match began to unfold in 1993, Meyer found himself on shaky footing as an untenured professor in the United States on a temporary work permit and overextended as he worked diligently to establish a first-rate accounting major single-handedly. To provide all of the required courses and provide CPA exam review support to students, he had to carry a superhuman 22 credit hour load, including teaching most evenings. However, he is an extremely focused, determined person, and somehow he found the time and energy to carry on his investigation of New Era without shirking his other responsibilities. He even managed to pass all four sections of the CPA exams in May 1995 during the extraordinary pressure of the final two-month "end game" in the New Era chess match with Bennett.

**II. Professor Meyer Picks Up The Scent Of Fraud**

Professor Meyer's investigation into possible fraud at New Era began in July 1993. While he was working in the Spring Arbor Business Office as a staff accountant during the summer to supplement his income, he noticed a $294,000 wire transfer to Heritage of Values Foundation, Inc.,[5] dated 7/8/93 and lacking any supporting paperwork. His investigation into the nature of this transaction initiated a struggle to unmask New Era which would last nearly two years. What aspects of the transaction so alarmed Professor Meyer that he would feel compelled to launch this crusade at the risk of antagonizing his employer? The six warning flags uncovered by his initial investigation, which signaled a lack of financial controls and possible fraud exposing Spring Arbor College to imprudent risk, were:

1. A substantial amount of money was wire transferred without paperwork—there was no receipt for the funds and no basic agreement governing handling and disposition of the funds including written commitment by New Era for their performance of the promised matching. In fact, considerable confusion existed as to whether funds sent to New Era were charitable gifts qualified for tax deduction, investments, or just unspecified "money."

2. Funds were sent to New Era on an unsecured, commingled basis and as such were subject to exposure to total loss. Meyer contended strenuously that funds should be escrowed with independent third parties.

3. Funds were conveyed to New Era through a conduit, Heritage of Values Foundation, Inc., with no documentation, agreements, or security and with no detailing of finder fees or other important aspects of the arrangement.

4. Neither Heritage nor New Era had a public persona. Neither was listed in public directories of foundations or charitable organizations, and neither had publicly available prospectuses, annual reports, financial reports, audited financial statements, nor disclosure of principals. New Era, "despite Bennett's claim did not operate with a board of directors. There was virtually no accountability" (Wilkens, 1998). The 1992 Form 990 listed Bennett as the sole director, and although the amended 1993 Form 990 listed directors as Daniela Brabner-Smith, Vivian Piasecki, Dr. John M. Templeton Jr., Charles D. Fulton, and Dean Lind, even minimal due diligence would have revealed the board as a sham. "Vivian Piasecki did not realize that she was a director until after she had learned that the foundation listed her as one on its 1993 IRS filing. When she confronted the foundation's president, he represented to her that her position was honorary and that board members would not be told the identities of the anonymous benefactors" (Staff Report, 1995, p. 35). When Dr. John M. Templeton Jr. was interviewed by Steve Stecklow of



*The Wall Street Journal* for his 5/15/95 article on New Era, Stecklow wrote, "[Templeton] has never served on the charity's board, has no interest in serving on the board, and [he doesn't] remember being invited" (p. A7). Why didn't anyone doing due diligence approach these persons?

5. There is a fundamental principle in the investment world that "if something is too good to be true—it is not." The New Era had all of the earmarks of a Ponzi scheme—an extraordinary return, scant information about the organization, incentives to roll over investments and to bring new money in, and a slick, innovative explanation as to how this extraordinary return could now be possible (in this case, anonymous donors with inexhaustible resources)—all facilitated by a charismatic sales personality, John G. Bennett.

***The New Era had all of the earmarks of a Ponzi scheme ...***

6. The financial and administrative executives of Spring Arbor brushed aside Professor Meyer's concerns primarily because of testimonials from philanthropists and organizations such as the University of Pennsylvania and Lancaster Bible College, which had received the promised matching funds and were extremely excited about this new source of financial support. Indeed, Spring Arbor itself began to give positive testimony about New Era following receipt of $500,000 in February 1994, representing its $294,000 investment together with matching funds less the $44,000 thank offering which may have gone to Frederick Veit. But then the testimonials of satisfied early investors who are paid exorbitant returns with the cash flow from new investors is another hallmark of a Ponzi scheme. Meyer remained alarmed and sent a letter dated March 5, 1994 to the chair of the Spring Arbor College Board of Trustees, Glenn E. White, which reiterated all of the concerns outlined above and expressed particular concern that the school send any new funds for matching which were unsecured. Quoting from the letter:

*What concerned me most about the scheme was that the college had to "invest" close to $300,000 in the charity, ostensibly in Treasury Bills, for a*

*six-month period. The interest to be earned from this "investment" was supposedly earmarked for administrative purposes.*
*The whole scheme is transparently suspect, because if they really needed administrative fees they could quite easily have asked us for such a fee. The need for us to commit such funds to a charity without any collateral seemed extremely risky. It is exactly on this basis that Ponzi schemes operate.*

*I suggest that we request a copy of their 1993 audited financial statement for thorough review and then clear with their auditors any matter that such a review might raise. The charity's mission and goals should also be investigated to ensure that these are compatible with ours. Also, if they insist that our funds be invested in government stock during the duration of the transaction, these securities should be delivered to a lawyer for safekeeping on our behalf.*

Having been briefly shown the 1992 IRS Form 990 return for New Era by the Spring Arbor Vice President for Business Affairs, he also notes: "They declared income of approximately $8 million. If half of this represents the matching 'investments' of participants [beneficiary donors], then their revenues were only $4 million. The return also revealed that the top officials in this charity received in excess of $1 million as remuneration for their services."

Chairman White apparently referred Meyer's letter back to the administration for handling, and Meyer never received a direct response to his concerns.

### III. Expanded Vision and New Evidence of Fraud

Through March of 1995, Professor Meyer's stewardship remained focused almost entirely on a concern for his own employer, and his efforts were primarily local in effect. Then his understanding of the stakes of the game changed and his sense of stewardship enlarged to embrace NFPs in general and the evangelical Christian community in particular. This enlarged vision emerged as a result of three factors:

**One**, he became aware that the number of involved Christian organizations was large and rapidly growing to include organizations like Prison Fellowship, Willow Creek Community Church, and sister schools like Central College, Moody Bible Institute, and Wheaton College.

**Two**, this concern heightened late in March 1995 when he finally received New Era's 1993 financial statements (see Appendix A, p. 155) showing an exponential increase in revenue to $41,259,917 from the 1992 level of $8,641,170 (see Exhibit I, p. 151). Examination of these statements also provided him with compelling new evidence of impropriety and fraud.

**Three**, Spring Arbor, ignoring Meyer's concerns, increased its exposure between October 1994 and March 1995 by sending New Era new payments totaling $1,900,000. He began to realize that he could only protect Spring Arbor by exposing New Era nationally as a Ponzi scheme (or prove to himself that his fears were ill-founded).

This shift in focus set him apart from other concerned parties who were satisfied with local action or were easily discouraged from the pursuit of truth, and the shift set him on a course which uncovered the reality of the New Era fraud—there were no benefactors.

### Case Questions to Consider

1. Were the flags Professor Meyer saw in connection with the July 8, 1993 payment by Spring Arbor College of $294,000 to the Heritage of Values Foundation, Inc., sufficient to warrant his disruptive investigation of New Era contrary to the wishes of his employer?

2. What "new evidence" can you identify in the 1993 financial statements of New Era (see Appendix A, p. 155) which
a) raises questions about the competency of their auditors, John P. McCarthy & Co., and
b) demonstrates that New Era was running a Ponzi scheme?

3. Given the six-month period that beneficial donors had to invest their money with New Era before it was doubled, how fast did New Era's stream of cash flows have to grow to maintain viability if indeed it was operating a Ponzi scheme? Does the pattern of growth shown in Exhibit I support this conclusion? When do Ponzi schemes collapse?

4. Do business persons have professional responsibility for stewardship to their organizations? To society? Do accountants have a higher standard of professional responsibility? Why?

5. Does Christian faith change the standard of stewardship required of

businesspersons? Read Ezekiel 3:16-21. Should principles from this passage be generalized to Christian stewardship in the world of business? Of NFPs? If society doesn't welcome our concerns, should we back off? Read Ezekiel 2:3-7. What kinds of situations warrant this level of costly stewardship? Were the stakes high enough at Spring Arbor College to place this type of obligation on Professor Meyer? Were the stakes in the evangelical community or in society at large high enough?

**Postscript to CASE A: Analysis of 1993 Financial Statements**

Examination of the 1993 Financial Statements (Appendix A, p. 155) which had been submitted to the Department of State's Bureau of Charitable Organizations of the State of Pennsylvania by New Era's auditors, John P. McCarthy & Co., provided Meyer with compelling new evidence of impropriety and fraud. This evidence is summarized in a letter to Steve Stecklow of *The Wall Street Journal* dated 5/9/95 (see Exhibit II, p. 152), in which Meyer was suggesting talking points for an interview with John Bennett scheduled two days later. **Point 1**. in the letter provides compelling evidence that beneficiary donor funds were **not** being invested in treasuries for the six-month holding period as contended by New Era in their literature and letter agreements with beneficiary donors.

***Bennett ... contended that he didn't understand the difference between a "review" and an "audit" ...***

The interest income should have been close to $400,000[6] rather than the mere $33,788 reported. **Points 2.** and **5.** support this conclusion as no such investments nor any corresponding liabilities to donors are reported in the balance sheet. In **point 7.** one of the McCarthy staff accountants working with New Era, Andrew Cunningham, is quoted by Meyer (based on a 4/17/95 telephone conversation querying the 1993 financials) as confirming that monies paid in to New Era were immediately paid out to other beneficiary donors. In **point 3** he questions the $1.1 million investment in a related enterprise, and elsewhere he raised questions about the $1.17 million spent on faculty and consultant fees and the



$.5 million spent on travel. These sums spent on consultants and travel were startling, since zero compensation to officers and directors and only $197,771 in total compensation to staff was reported for the year. **Points 6.** and **8.** draw attention to the low level of scrutiny and due diligence reflected in a "review" of the financial statements and the concern this raises when the management, Jack Bennett, had contended that he didn't understand the difference between a "review" and an "audit" in a brief 4/13 phone conversation with Meyer. Simultaneously with submission of the review report to the Commonwealth of Pennsylvania, a standard unqualified audit report also signed by McCarthy and Co. was distributed in the 1993 New Era annual report to donors. This inconsistency does indeed represent a gross violation of professional ethics. The credibility of the financials was furthered undermined by the fact that Cunningham's CPA license had lapsed due to failure to meet continuing education requirements.[7] In a 4/14/95 letter to the director of professional ethics of The American Institute of Certified Accountants, Meyer questioned the objectivity of the McCarthy firm, saying, "It is also questionable whether the $70,000 accounting fee was paid for the review alone. If they had also written up the books, then they were in fact reviewing their own work and that raises the issue of independence." Finally, Meyer noted the shoddy crafting of the financials and concluded that shoddy presentation probably indicated shoddy professional work. He noted:

a. Characterization of the work of John McCarthy & Co. as both an "audit" and as a "review" in different paragraphs of the cover letter when these terms connote radically different levels of due diligence on the part of the auditors.

b. A date on the cover letter of May 20, 1993, which is impossible given the 1993 subject period. This doesn't merely represent a year typo, since the document was date-stamped at the Bureau of Charitable Organizations on May 12, 1994. Perhaps the date was a carry-over from the previous year's letter.

c. There were numerous misspellings and grammatical mistakes, including a missing "in" in line four of the cover letter, and use of "securities" and "separately" in the notes.

While some of these concerns might seem minute, they all constituted evidence[8] for a careful investigator like Meyer.

His observations about the paltry interest income and the failure to recognize a liability for monies received from beneficiary donors became the wedges he used to force a careful investigation of New Era.

**Case Questions to Consider**

1. Did you find any evidence that Professor Meyer missed?

2. How compelling is this evidence? Would you be willing to convict New Era of fraud based upon it?

## CASE B–THE PUBLIC FACE OF FRAUD DETECTION

### I. Background

Not-for-profit organizations (NFPs), including Christian ministries, have an insatiable need for funding. With the exception of churches and fraternal organizations, this funding generally must be generated from outside donors. Hence, John G. Bennett appeared to be a knight in shining armor when his Foundation for New Era Philanthropy (New Era) stepped forward in the early 1990s with professional fund-raising assistance, including its New Concepts in Philanthropy Fund, which would match the donations of new monies generated by the development programs of qualified clients called "beneficiary donors."

As summarized by David Neff in *Christianity Today*, "New Era ... promised to solicit matching-fund grants from anonymous wealthy donors for Christian colleges and ministries, as well as for secular [NFPs]. All the [NFPs] had to do was meet new fund-raising targets, place the money on deposit with New Era, and in six months, they would receive double the amount. For harried development directors and ministry leaders, New Era was a dream come true—until just three (sic) years after its promising beginnings, the dream became a nightmare." By May 1995, several hundred organizations and individual philanthropists, including the University of Pennsylvania, Wheaton College, World Vision, and Lawrence Rockefeller, had sent approximately $350 million to New Era for matching, and "invested funds" together with the 100 percent matches[9] totaling approximately $300 million had been paid out to delighted clients. Even Wall Street legend Peter Lynch sent New Era $517,000. However, Albert Meyer, an accounting professor at Spring Arbor College, seemingly wanted to be a spoiler threatening to kill this "golden goose" as he constantly alleged that New Era was a fraudulent Ponzi scheme. His employer and other New Era clients such as the Coalition of Christian Colleges and Universities (now known as the Council of Christian Colleges and Universities) accused Meyer of trying to "rook" them out of this crucial source of funds by antagonizing Bennett. However, on May 13, 1995, Bennett went before his staff and stunned them by confessing that there were no anonymous donors, and on Monday, May 15, 1995, he stunned the entire charitable community by having his attorneys file for bankruptcy.

### II. The Professor Develops a Successful Strategy to Unmask New Era

On the surface it appeared that Albert Meyer's efforts to expose New Era had hit a brick wall by early 1995. His college had sent an additional $900,000 to New Era over his protests.

An effort in December 1994 to send the administration a letter of concern signed by the business department faculty fizzled in the face of opposition by certain members of the business faculty. A casual conversation with Glenn White (chairman of the Spring Arbor Board) at a wedding reception in December 1993 had afforded Meyer another opportunity to express concern about the lack of audited statements and his intention to secure them, but White remained unconcerned, indicating that he was encouraging other institutions such as Central College to take advantage of the New Era program. Several attempts by Meyer between July and December 1994 to stir investigative interest in *The Wall Street Journal* had proven to be fruitless.

However, in a number of ways his efforts had yielded some modest results. At Meyer's insistence, Spring Arbor's auditors, Raymond Robson, had secured the 1992 Form 990, and new "investments" were acknowledged in letter form with the statement, "The Foundation for New Era Philanthropy has established a quasi-escrow account in the amount of $______ at Prudential Securities for the benefit of Spring Arbor College with a maturity on ______." Obviously Spring Arbor and others should have investigated the nature of a "quasi-escrow account," but still this seemed to be a move in the right direction, and unbeknownst to Meyer his constant call for audited statements had placed enormous pressure on New Era in 1994 to begin development of more careful records. Nonetheless, in March of 1995 Meyer realized that his efforts were not proving very effective and the chess game was at best headed for stalemate, leaving Bennett free to continue expansion of his fraud.

At this point there was a confluence of events which changed the course of the investigation. In early 1995 Meyer became concerned that one of the favorite ministries of the Meyer family, Prison Fellowship, had become embroiled with New Era, and he began an effort to warn them of the dangers of the NCPF program. Hence, for the first time his stewardship concern began to actively expand beyond a focus on Spring Arbor.

On March 14, his wife, Melanie, and their three sons returned from a six-week visit to South Africa necessitated by the terminal illness of Melanie's father, and her support and encouragement during the end game were crucial. The very next day, March 15, Meyer was granted tenure by Spring Arbor, removing the threat of job loss which had previously muted his voice.[10] On March 16 he made 21 phone calls in pursuit of an exposé and a total of 155 calls during the months of March and April as he unleashed his attack on multiple fronts.

"'The position of all of the pieces is important,' he told me. An avid fan of chess, Meyer imagined himself playing a match with Bennett. If he attacked on one front, Bennett could easily get away. He could only checkmate him by threatening him from many directions" (Trickey, 1995, p. 23). Exhibit III (p. 154) is a diagram prepared by Meyer during the end game to graphically illustrate this multi-front strategy, and we shall now outline how he proceeded to methodically penetrate the walls of secrecy and appearance of virtue skillfully involving each of the organizations shown.

Ironically, just as Bennett and his finders had used name-dropping and inference to develop the New Era mystique, Meyer used name-dropping and inference to develop the investigative credibility and weight necessary to undo New Era.

The moves developed as follows:

1. Prison Fellowship–In mid-March, after numerous attempts, Meyer was able to share his concerns about New Era with an officer of Prison Fellowship who listened respectfully and acknowledged that funds should be secured in a segregated legitimate (rather than quasi) escrow account. That officer suggested that Meyer contact Paul Nelson, president of the Evangelical Council for Financial Accountability (ECFA).

2. ECFA–On March 17 Meyer shared his concerns with Nelson, who seemed reluctant to "rock the boat" even though many of his member organizations were asking ECFA for advice about New Era.

He noted that Bennett enjoyed a fine reputation that was very broadly based, and it has been suggested that the limited scope of ECFA's mandated mission may have precluded a critical evaluation of New Era's program. However, he did refer Meyer to two accountants on the ECFA standards committee who had numerous NFP clients involved in the matching program: Greg Capin of Capin, Crouse, and Co. in Indiana, and Bill Altman of Ernst & Young, LLP in San Francisco.

3. Greg Capin and Bill Altman–Meyer reached Capin the same day and Altman the following Monday, March 20. Both indicated that the New Era financial statements were of suspect quality and raised more questions than they answered

***... their clients were totally caught up in the New Era mystique ...***

about the integrity of the NCPF and New Era. It was Capin who first alerted Meyer to the fact that no audit had been done—there was only a "review report," and Altman passed on the information that the CPA license of Andrew Cunningham, the McCarthy accountant who prepared the New Era statements, had lapsed.

They both also indicated that they shared Meyer's suspicions that Bennett could be running a Ponzi scheme, but they said their clients were totally caught up in the New Era mystique and resented the raising of any suspicions. Altman said, "Whenever I try to talk to one of my clients who is into New Era, they make me feel like I'm swearing in church."

4. *The Wall Street Journal*–During 1994 Meyer had contacted *The Wall Street Journal* on

several occasions, speaking to a number of different correspondents, but they had been reluctant to pursue an investigation without reasonable evidence of fraud. On Monday, March 20 he phoned and faxed them three times about his new concerns with the financials without any apparent response. On March 22, he followed up with a letter to Editor Dan Hertzberg, raising major concerns about the New Era financial statements and asking the *Journal* to "clear up the ambiguities surrounding the operations of this charity, masquerading as a foundation." Hertzberg assigned Steve Stecklow to investigate the story about this time, so Meyer's letter of March 22 may have finally triggered some action. However, Stecklow did not get seriously involved in the story until the end of April. On Easter Sunday morning, April 16, the *Philadelphia Inquirer* ran a front page story by Peter Dobrin headlined "The foundation behind 'anonymous' millions," which provided a flattering endorsement of Bennett and New Era. Capin forwarded the article to Meyer on April 26, and Meyer immediately began conversations with Dobrin about his concerns with New Era. He challenged Dobrin to make an objective investigation into the New Era financials. When he discussed these conversations with Stecklow the next morning, April 27, Stecklow, a former *Inquirer* reporter himself, bristled at the competition and made a commitment to "go all out" on the story in return for Meyer's exclusive attention. In two weeks, on May 11, he was in the New Era offices in Radnor armed with Meyer's talking points (detailed in Exhibit II, p. 152) for an interview with Bennett, and although the interview would only last 15 minutes and yield little information because Bennett had been muzzled by his attorneys, the pressure of the inquiries would crack the New Era facade and mystique irretrievably.

5. Office of the Attorney General, Commonwealth of Pennsylvania–In the last section it was mentioned that New Era was required by law to file **audited** financial statements with the Bureau of Charitable Organizations in Pennsylvania each year. That requirement was waived at the request of McCarthy and Co. when New Era initially registered in September 1993. However, the renewal registration was initially disproved in early May 1994



"because the requisite financial data was incomplete" (Staff Report, 1995, p. 16). However, the Bureau then erroneously accepted the registration following the 5/12/94 date-stamped submission of the Appendix A financial statements for 1993—apparently not realizing that they had not received **audited** statements. Perhaps the receiving clerk read "We have audited" in line one of the McCarthy and Co. letter and failed to pick up on the review language later on. In any case, the Staff Report (p. 48) affirms that the Bureau was unaware that New Era had submitted a review rather than the requisite audited statements and was hence in noncompliance with the law until May 23, 1995. That Thursday Meyer discussed his concerns about New Era with four different officials in the Office of the Attorney General, including Mary Beth O'Hare Osborne, who told Meyer, "No one has filed a complaint against them," obviously implying that his concerns were unwarranted. The same day he moved to lodge an official complaint against New Era with the Office of the Attorney General based upon its failure to issue properly audited statements and its fraudulent representation to donors that it had done so. In his complaint he referenced the advice of Bill Altman of Ernst & Young and Greg Capin of Capin, Crouse, and Co., CPAs to build credibility. The state claims to have begun its own investigation of New Era at that point, however, the investigation had no public expression as of May 15. One of the more fruitful aspects of Meyer's contact with the authorities of Pennsylvania was that he was finally able to obtain copies of the 1993 Form 990 and Appendix A financial reports within a couple of days to review and analyze for himself.

6. National Data Book on Foundations–On March 23, Meyer also had a phone conversation with Damon Kletzen, head of a foundations registry based, like New Era, in a Philadelphia suburb. He told Meyer that New Era claimed to be a foundation but was really only a charity, and that in his personal meetings with Bennett, Bennett had been extremely oblique about his operations and did not want New Era listed in the directory.

7. Steve Albrecht–On March 24, Meyer contacted his former mentor, Steve Albrecht, who had testified for the Federal

Government in the Keating savings and loan trial as an expert on white-collar crimes. A week later he responded to Meyer with a note of caution. "I received your two faxes concerning the charity. I agree with you that all signs point to a scam. However, sometimes things that look and walk like ducks are swans. Thanks for including me in the loop. I found the information interesting and scary."

8. IRS-The Detroit Office of the IRS had been contacted in writing on March 16 with request for copies of the New Era 990 Forms. Meyer also summarized his concerns that this might be a Ponzi scheme, and in a March 25 follow-up letter he advised that he had filed a complaint with the Office of the Attorney General in Harrisburg, Pennsylvania, about New Era with regard to "irregularities" in the filing of their financial statements and suggested that the IRS investigate the impact of the New Era matching program on the tax exempt status of beneficial donors. He advocated a cautionary public statement from the IRS as a means of "break[ing] the spell New Era and their agents are having on administrators and trustees of participating nonprofits." In due course he was advised by letter that his correspondence was being referred to the IRS office in Baltimore, Maryland, and he finally managed to contact Dan Brose at the Exempt Organizations Division in that office by phone. However, the wheels of bureaucracy turn slowly, and events would soon outpace IRS action.

9. Spring Arbor College–Although Meyer's attention was

***"I agree with you that all signs point to a scam. However ..."***
***—Steve Albrecht***

now moving to a more global attack on New Era in behalf of a stewardship commitment to the entire evangelical community, he had not forgotten his concern for Spring Arbor. On Saturday, March 18, 1995, following his maiden conversation with Capin, he contacted Jan Tjepkema, vice president for business affairs, at her home and briefed her on the specific concerns raised by examination of the 1993 New Era financial statements. On Monday, March 20 he was asked to brief Allen Carden, the president of Spring Arbor; Neil Veydt, vice president for planning and development; and Tjepkema on his concerns from the viewpoint of an auditor, reiterating the points discussed in Section II and referring the group to Capin and Altman for corroboration.

He attributed his phone conversations with Nelson and Capin on Friday to divine prompting—"Something drove me to make those phone calls on Friday. If I had said, 'I've got the weekend to think about it,' or, 'Let me finish the CPA exam[11] and then I'll get involved in this,' or whatever. But I didn't. I was just driven." He received a respectful hearing from the administrators, but then they told him, "We are sending a million dollars today or tomorrow.

The board has already voted to send it." Here was a providential and timely warning, but the administrators did not take the opportunity to escape disaster, and the money was sent.

The same Saturday he also wrote to the College's auditors, Raymond Robson, forwarding his information and referring them to Capin and Altman. However, the auditors had seemingly resented Meyer's inquiries from day one. They reluctantly pursued the due diligence with regard to New Era which he forced upon them and silence was once again their response. Having received tentative commitment that a delegation from the business department would seek a meeting with the president to express their professional concern over Spring Arbor's financial exposure under the New Era program, Meyer sent a suggested talking point letter on March 25 to Beverly J. Nemecek, the department chair.[12] On April 13, 1995, Rick Wallace forwarded a letter enumerating the department's concerns, which President Carden replied to on May 3, 1995, just 12 days before the game ended, stating that $800,000 had been received May 1 as a result of the $400,000 match and that everything was just fine. The letter also attempted to put substantial pressure on Meyer to stop cooperating with Stecklow of *The Wall Street Journal* (this aspect will be discussed in greater detail in the next section).

10. *World*–An article by Joe Maxwell dealing with financial disclosure by ECFA member organizations and including an letter of admonition from Paul Nelson in a February edition of *World*, a Christian weekly news magazine published in Asheville, North Carolina, caught Meyer's attention. He attempted to establish dialogue with *World*'s

publisher, Joel Belz, about New Era. However, his phone calls on March 27 were not returned. This is one of the few moves in the end game which did not turn out to be effective.

11. Securities Exchange Commission–Meyer wrote to the SEC requesting an investigation of New Era shortly after his initial conversations with Capin and Altman. He recalls, "I called them about five days later. They told me it will take three weeks before I'll get an answer. I said, 'Oh, no! I'm reporting a huge fraud. It requires immediate action.' A day or two after that on March 27, Marc Shafren [SEC investigator] called me." In follow-up letters that day and April 12, he forwarded all of the background materials he had accumulated on New Era (including financials and New Era promotional literature), suggested that New Era's "double your money" offer represented an investment vehicle which fell under SEC purview, and referenced his contacts with numerous other organizations to create an aura of credibility—a tactic he now used heavily in the end game. He referred them to Altman at Ernst & Young, Capin at Capin, Crouse, and Co., and Nelson at ECFA, and included copies of earlier correspondence documenting his concerns sent to Glen White, chair of Spring Arbor's Board; the IRS; Office of the Attorney General in Pennsylvania; *The Wall Street Journal*; Bev Nemececk, chair of the Spring Arbor Business Department; and the American Institute of Certified Public Accountants (AICPA), with whom he had filed an initial complaint. He asserts that the AICPA is "looking into" irregularities with regard to financial reporting. Spring Arbor had attempted by this time to muzzle Meyer, and in his April 12 letter to the SEC he states: "I am conducting this investigation in my personal capacity. My employer, Spring Arbor College, a participant in this scheme, has told me that it is inappropriate for me to continue my investigation. Nevertheless, I am proceeding, at the risk of losing my job, which I consider a small price to pay when seen in the light of what my employer stands to lose, if this scheme is nothing more than a sophisticated Ponzi scheme." Of all the organizations and persons with some measure of oversight responsibility for the New Era operations, the SEC, to its credit, was the only one to move effectively and with dispatch to expose the mess and topple the pyramid.

12. AICPA–As mentioned earlier, in his correspondence with the SEC Meyer references initial contacts with AICPA. Now in follow-up correspondence with Herb Finkston (director of professional ethics for AICPA), following a phone conversation with Cathy Zaita on April 14, he does a turn-about and references his contacts with the SEC, the IRS, and the Attorney General's Office in Pennsylvania as well as with Altman. His focus in these communications is reporting fraud, and he closes the letter with the following statement: "If this is indeed a pyramid scheme it needs to be terminated as speedily as possible. However, if New Era is bona fide, only a full audit will remove the doubts and allay the concerns of the general public." He also expresses concern that should the scheme exist and fall, the accounting profession would be tarnished by the work of McCarthy and Co.

13. Christian Organizations–According to Michael Fritz, "Albert Meyer found his calling on Holy Thursday afternoon. [He] had to warn Christian institutions around the country that their investments in New Era ... might be part of a massive Ponzi scheme. ... Rebuffed at home, [Spring Arbor, he] immediately targeted the Chicago area, home to two of the country's most prestigious Christian schools, Wheaton College and Moody Bible Institute. ... On ... April 13 he telephoned Wheaton Controller Patrick Brooke ... and diplomatically noted that New Era's unaudited financial statements didn't seem to reflect its purported levels of donations and payouts. He then faxed the documents to Brooke and invited him to call back. Then he similarly called Moody's treasurer, Delmar Mohler. Despite what Meyer considered red flags, neither Wheaton nor Moody called back. 'Their response wasn't overwhelming ... I felt that I was intruding—and that I had to be very careful not to offend,' said Meyer" (Fritz, 1995, p. 17). Calls to Willow Creek Community Church the same day were not returned, but Focus on the Family did call back and had a conference call during which they reviewed the financials line by line. Meyer recalls, "They were stunned. They said, 'Well, we're hoping to get a payment at the end of April and we certainly

will not send more money until we’ve seen audited financial statements.’” Dobson’s organization would turn out to be the only participant to heed Meyer’s warnings prior to New Era’s collapse.

### III. The King is Directly Engaged

Meyer would continue to follow-up with most of these parties throughout April while studying for the CPA exams, but the two parties which would crack the New Era fortress, the SEC and *The Wall Street Journal*, were already in motion. With its sophisticated resources, the SEC needed no additional help from Meyer, but he would continue to advise the *Journal*’s Stecklow until the first major story appeared on May 15. However, Meyer had one last stratagem to penetrate Bennett’s cloak of secrecy and “smoke him out” into the open. On April 13 he phoned and faxed Bennett with advice that he planned to create a New Era Internet site making the 1993 “Review” letter from McCarthy and Co. (see Appendix A, p. 155) available to the NFP community. He asked Bennett to fax him if he had any problem with the proposal, and he promised he would not proceed until hearing from him. His faxes said in part, “I am not questioning your integrity, but I have a problem with the fact that you are not submitting your operations to a full audit. ... [My objective] is to ask the question ... ‘Can your organization stand the scrutiny of independent observers?’ ... Trustees of grant-making institutions inform me that they have made investments with New Era and yet there is nothing in your financial statements to indicate any form of commitment to them. This in my opinion is a material omission and adds to the perception that these institutions have no security supporting their submissions. I concede, by everyone’s account you are held in high regard, and for this reason a strong element of trust prevails. ... I would therefore strongly urge you to issue audited financial statements as an absolute minimum. You have nothing to lose and in this way you will allay the concerns of many.”
Of course, this was a trap because New Era could not withstand the scrutiny of a full audit. Bennett, returning from a trip, read the faxes on Good Friday, April 14 and faxed Meyer: “I frankly am completely confused. We are extremely public in our activities and uphold the highest standards.” He and Meyer then had the phone conversation mentioned earlier in which Bennett professed not to know the difference between an audit and a review.

The following Monday Meyer conversed further with Gary Williams and Andrew Cunningham of McCarthy and Co. about the 1993 financials, and Cunningham in particular reassured him that the statements were accurate and that there were no year-end liabilities based upon Bennett’s representation that outstanding match obligations were cleared completely at year-end. However, according to Cunningham’s grand jury testimony, in the summer of 1994 he had discovered a letter documenting a $1 million obligation as of year-end 1993. Subsequent research revealed that there were substantial undisclosed liabilities as of year-end, and even more damning, “Letters indicated that all the money that came in fact was to be matched, essentially all. Almost none of it was undesignated money.
Less than ten thousand dollars was my recollection.” Hence, by fall 1994 McCarthy and Co. and Cunningham in particular were aware that **there were *no* anonymous donors!** New Era accounted for approximately one third of McCarthy and Co. income and partially because of this the firm chose to make the corrections required in conjunction with issuance of the 1994 statements rather than immediately issue restated 1993 statements and 990s in spite of the materiality involved. This breech of professional ethics delayed the collapse of New Era by nearly a year. Meyer’s inquiries to Cunningham about New Era statements were not the first. He had received a substantial number of inquiries from beneficiary donors during 1994 and early 1995 raising the same questions that troubled Meyer,[13] and he gave them the same false assurances that the statements were accurate. This deceit was initially perpetrated out of loyalty to his employer, but in December of 1994 Andrew Cunningham requested and received $50,000 of hush money (half of it directly from New Era funds) from Bennett to assure his continued

***... Meyer had one last stratagem to penetrate Bennett’s cloak of secrecy ...***

cover-up of the fraud. The FBI later told Meyer that his testimony about his April 1995 conversation with Andrew Cunningham was the evidence that nailed him and forced him to cop a plea and turn state's evidence against Bennett.

This payoff demonstrates conclusively that Bennett's Ponzi scheme was premeditated and fraudulent rather than happenstance based upon ignorance. Bennett's fabrication of documents, including fictitious board minutes in preparation for an IRS audit in the fall of 1994, and his constant bold-faced avowals of the existence of anonymous donors[14] are also evidence of a conniving heart.

Was this fraud something he slipped into in 1989 out of a twisted virtual reality conviction that somehow he was advancing the cause of philanthropy? Or was the Ponzi scheme the natural evolution of a flawed character which hadn't been evident in the public persona before? Although it is estimated that Bennett diverted some $5 million to other controlled companies[15] and another $3.5 million to his personal needs, including $620,000 for his new home over the six years that New Era was in existence (Allen and Romney, 1998), these sums are small compared to the work of con artists such as Frankel. Perhaps being a major player among the elite was his real motivation rather than enrichment.[16]

These questions need to be addressed in another setting, however, I can't help a bit of ruminating about another puzzle. How could Bennett have been so brilliant in executing this sophisticated Ponzi scheme, deceiving the very elite of the elite in both business and NFP domains for several years, and yet not have worked out an end game such as leaving the country with a bag of diamonds and an off-shore numbered account? There is considerable evidence—perhaps because of fiscal incompetence—that he failed to understand that all pyramid schemes collapse at some point when new victims cannot be brought in fast enough to maintain the exponential growth required to sustain the scheme.[17] The structure of his scheme (double your money every six months) required cash inflow to quadruple every year in order to sustain the grant-matching payouts to participating beneficiary donors, and the cash demands would exceed these levels at times because the cash inflows would naturally be bumpy or uneven. However, the Prudential margin account could be used to smooth things out.

A review of Exhibit I (p. 151) reveals that the necessary growth was approximately maintained from the start in 1989 through 1994 with the exception of 1991 when things must have been very tight.[18] However, at some point the supply of "new" donors gets tapped out and the plausibility that a few anonymous donors could be continuing to meet the challenge to match hundreds of millions per year would near absurdity.[19] The ceiling was obviously hit in 1995 as growth in inflows had slowed to an estimated annualized rate of 230 percent, which was inadequate to maintain the fraud. It would appear that there was a surge of year-end 1994 money that would have to be matched in May and June of 1995, and hence New Era's days were clearly numbered by late April. At the same time, Meyer's "flaming swords," the SEC and *The Wall Street Journal*, were gearing up for the final assault on the previously impenetrable fortress of New Era.

## IV. The King is Exposed

Great insight is gained of the last days of New Era through 1) the grand jury testimony of Andrew Cunningham and Washington D.C. Public Relations Specialist Alan Hilburg, and 2) the correspondence between Bennett and his corporate attorneys found in the grand jury exhibits. By late April a sense of panic was beginning to grip Bennett, and his smooth superior manner was beginning to slip under the weight of New Era's cash flow problems and the multi-front end game of Meyer. During the first few years of the New Concepts in Philanthropy Fund, the criteria for matching were quite stringent. All money to be matched had to be "new" money to the NFP—no rollovers.[20]

Suddenly in late 1994 and 1995 endowment money was solicited for match with a match period of **nine** months. The nine months would slow the revenue growth required to sustain the pyramid from 400 percent per annum to 250 percent per annum. Then on April 24, 1995, in a move of clear desperation to improve cash flow, Bennett announced a sweeter deal—a new fund that would pay out $2.50 for every $1 deposited after a ten-month period.

This desperation may have been sparked by the decision of Founder's Bank to dishonor three or four grant payout checks totaling almost $2 million.

To clean up these problems and to cover the grant payments due through early May, Bennett took his margin account at Prudential up to $48 million[21] against security of approximately $62 million. According to a May 7 memo from Bennett to his attorney (Grand Jury Exhibit 66) this "set up a red flag especially when I mentioned to the broker that we were going to be in *The Wall Street Journal*." He then goes on to say he had ill-advisedly met with a Prudential attorney and had given him the "checkbook pages and bank statements for April."

***... the attorneys were taking charge at New Era and insisting on the truth ...***

Meanwhile the SEC investigation was proceeding "full steam." On May 1 Marc Shafran requested a number of documents and records from New Era in a phone conversation with Bennett, and when they were not satisfied with the response, they followed up with a subpoena for additional materials on May 11. They also began to gather information from beneficiary donors like the University of Pennsylvania. Meanwhile, true to his commitment to Meyer, Stecklow was busy interviewing Meyer's circle of contacts, including Spring Arbor administrators and various New Era participants of note such as Scott Lederman, treasurer of the University of Pennsylvania, and John C. Whitehead, the former co-chairman of Goldman Sachs. He then approached New Era, and Bennett agreed to give him an in-depth interview on Thursday, May 11. However, when he arrived at the New Era offices in Radnor after his trip from Boston, he was left to cool his heels for hours and was finally granted a 15-minute cursory interview during which Bennett informed him that his attorneys would not allow the interview to go forward. The New Era offices were full of corporate attorneys from Dechert, Price & Rhoads trying to negotiate with the SEC. To make matters worse, Prudential Securities, spooked by contact with the SEC as well as by the impending *Wall Street Journal* article and failure of Bennett to account for use of the funds, gave New Era 24 hours to repay its margin account loan on Wednesday, May 10, and then filed suit for the money on Thursday, May 11 while Stecklow was waiting in Bennett's offices. Although the in-depth Stecklow interview was delayed, someone in the New Era office prepared an eight-page table which 1) listed the issues Stecklow had raised, 2) detailed carefully crafted suggested responses/explanations, 3) indicated the New Era staff member responsible for handling the question, and 4) cited the supporting documents which needed to be assembled in support of the responses.

On Friday Bennett and his staff spent the afternoon at the Four Seasons Hotel in Georgetown, a suburb of Washington, D. C., meeting with Alan Hilburg, who had been retained by Doug Holladay to handle damage control. Following an extensive briefing by Holladay and Bennett on New Era and its current difficulties, Hilburg had several conversations with Stecklow, who had returned to Boston, to ascertain what his concerns were and what information he needed. After shuttling between the phones and the New Era group several times, Hilburg finally concluded that evidence that anonymous donors really existed was at the heart of the investigation, but Bennett hemmed and hawed about the difficulty of contacting any of them on short notice. At one point Hilburg testified, "I went back to the table and said, 'Mr. Stecklow says it's a Ponzi scheme.' And they all laughed and were incredulous that anybody would even think that this was anything, but having the most—you know, the truest, most altruistic kind of objective." The meeting finally broke up in the early evening when Bennett, following a phone conversation with his lawyers, said they were probably going to file for bankruptcy protection on Monday. Hilburg asked why a couple anonymous donors couldn't cover the shortfall, and Bennett responded that he "couldn't get a hold of them right now." In Stecklow's article in the *Journal* the following Monday, he reported that on Friday Hilburg had "offered to arrange a weekend interview with one of the anonymous philanthropists. On Saturday he said he couldn't arrange any such meeting and was severing all ties with New Era" (p. A1). Meanwhile the attorneys were taking charge at New Era and insisting on the truth, the whole truth, and nothing but the truth—something that McCarthy and Co. had had a moral and legal obligation to do months before. They quickly concluded that the anonymous donors were a myth and that the fraud had to be brought to a halt immediately. Representing New Era, not Bennett personally, they stated in connection with the filing for bankruptcy on Monday, May 15, that they "believed that Mr. Bennett orchestrated a giant financial scam" (Stecklow, 1995, May 16, p. A1). Seeing the end was near, Bennett called his staff together at the Radnor offices of New Era on Saturday and wept as he told them, "I have betrayed you all! There are no anonymous donors!"

Meyer would hear that his "check" had become "checkmate" on Sunday evening when Stecklow called to brief him and confirm that there were no anonymous donors. "You will be a hero!" he said. Meyer related, "That evening was a very emotional experience. I grabbed my three boys and we went out into the yard and kicked a soccer ball. It was the first time in months that I had played with them. The world collapsed. I felt like I should pray as Simeon prayed in the temple when he had seen the child Jesus: 'Lord, now lettest Thou Thy servant depart in peace, according to Thy word: for mine eyes have seen Thy salvation'" (Luke 2:29).

**Case Questions to Consider**

1. Why were Meyer's efforts to unmask New Era so successful in 1995 when they had seemed so futile in 1993 and 1994?

2. Why was it important to pressure New Era on several fronts? Why was direct pressure from Meyer, the SEC, and *The Wall Street Journal* more effective than indirect pressure?

3. Why was it so difficult to expose New Era?

4. Weren't others in a better position to expose the New Era fraud? Why didn't they?

5. Did Professor Meyer's investigation force the collapse of the New Era Ponzi scheme or did it fall of its own weight?

6. How culpable was John P. McCarthy & Co. in the Ponzi scheme? When could they have stopped it? Why didn't they accept a greater stewardship responsibility?

7. How effective does the accounting profession's self-regulation appear to be? Is society's need for trustworthy information adequately protected? What do you think of the role of AICPA? How did the various governmental regulatory agencies responsible perform? Has this case changed your perception about the effectiveness of the protective mechanisms in our society?

8. If you were a key NFP board member making a decision on involvement with a risky financial transaction, what questions should you ask and what precautions should you take?

## CASE C–WHO WILL CALL THE EMPEROR NAKED?

### I. Early Prophets of Concern Fail to Slow the New Era Express

While hundreds of NFP board members, directors of development, and executives rushed to accept the "heavenly manna" flowing through the New Era matching program between 1989 and 1995 like lemmings headed over a cliff,[22] several contrarian voices raised concerns and counseled caution.
The wariness of Robert Montgomery Scott, a patrician Philadelphian civic leader for the past several decades and president of the Philadelphia Museum of Art, saved that institution from involvement in the program even though ...

*...eyes would roll at society functions when [he] questioned everyone's enthusiasm for New Era. ... Ever since New Era came on the scene a few years ago, Mr. Scott played the role of a devil's advocate. He would say, "Show me the prospectus, ... show me where the money would go." He later reflected, "I've been involved in raising money enough that I know there isn't a wide pool of anonymous donors. I had a skepticism that those people existed"* (Power, 1995, p. B1).

*In November 1993, Prudential Securities stockbroker Andrew R. Lowe warned a potential donor of illegal activity at New Era, calling the double-your-money offer and other representations made by Bennett "highly suspicious." He [spoke] with officials at the Commonwealth of Pennsylvania and the Office of the U.S. Postal Inspector, both of whom said the matching program was most likely a "scam operation." Lowe's final words to the donor were, "Be careful!" Prudential had previously conducted an internal investigation of the substantial inflow and outflow of the account and had concluded that the transactions were legitimate but the account should* *be watched. However, no further action was taken. Unfortunately, Lowe was unaware that New Era had a Prudential account, and Prudential was unaware of Lowe's suspicions. New Era's bankruptcy trustee later sued Prudential, claiming the firm had overlooked obvious signs of fraud to gain commissions and "excessive" interest* (Allen and Romney, 1998).

In 1993, Tony Carnes, vice president of the International Research Institute on Value Changes in Briarcliff Manor, New York, contacted the Attorney General's Office in Pennsylvania to inquire about the legitimacy of New Era. Under Pennsylvania law New Era was required to register annually with the Bureau of Charitable Organizations including the filing of IRS Form 990s together with Schedule A and **audited** financial statements before it could legally solicit contributions. New Era had never registered, and, following a brief investigation, it was now forced to register with the Bureau and pay a small fine by the Office of the Attorney General. The investigation may have been cursory because Bennett and Attorney General Ernest Preate served together in the Foundation for a Drug-Free Pennsylvania. "Mr. Carnes says he [then] spent much of a year trying to discourage colleges from participating in New Era's program but met with scant success. 'They could just taste the money. I've never seen anything like it. The weakness around the mouth, the desire in the eyes'" (Stecklow, 1995, May 19, p. A5). Barry Gardner, a financial consultant said to have investigated New Era, claimed to have heard "alarm bells over the requirement that money be placed under New Era's control. ... The money could have been put in escrow, or with a third party" (Giles, 1995, p. 40).

Albert Meyer, like these four and perhaps numerous other individuals who have not been publicly identified, had a conscientious sense of stewardship which forced him to practice basic due diligence in protection of his client, Spring Arbor College. In the words of Allen and Romney, "One quality [he] exhibited that was lacking in nearly everyone else involved with New Era was a healthy dose of professional skepticism." This quality and his extraordinary sense of stewardship would make this obscure college professor the one person in the United States who would persevere and "call the emperor naked."



**II. The Templeton Wild Card**

When one tries to understand the readiness of so many to follow the "Pied Piper" of New Era, one should never underestimate the magic that Bennett's association with Sir John Templeton, legendary guru of the Templeton mutual fund family, evoked. Bennett had met Sir John's son and namesake, an unassuming and gifted surgeon at Children's Hospital in Philadelphia, during his early days of providing consultant help to NFPs in the mid-1980s. Templeton "once financed a training program for religious nonprofit institutions" (Stecklow, 1995, May 15, p. A7), which New Era developed as the Templeton Institutes and continued to offer in succeeding years. Early in the New Era story Templeton introduced Bennett to his father, Sir John. Stecklow quotes Sir John as saying of this meeting, "I thought so highly of him that [in October 1990] I invited him to be a director of all the [24] major Templeton funds." He also confirmed to Stecklow that he was "on the board of New Era's London operation, NEP International Trust, but had given no money to New Era in the U.S." Bennett was wise enough to never even obliquely suggest that Sir John Templeton was his key anonymous donor and benefactor, but nearly everyone said, "2+2 = 4: it's Templeton—the whole thing makes sense."

***Meyer ... had a conscientious sense of stewardship ...***

"Officials at Penn and others say they believed that when they entered the New Era program that the senior Templeton, who sold his fund-management company to Franklin Resources, Inc. in 1992 for $913 million, may have been one of the mysterious anonymous donors" (Stecklow, 1995, p. A7). Stuart Bianchi said in his grand jury testimony when queried about anonymous donors, "Well, I started guessing because [of the] relationship with John Templeton. [I regarded] John Templeton in my industry as kind of [a] legend [and] revered individual ... and I was curious [about the relationship] and he said he was on the Board of Directors of the Templeton funds." Tony Carnes says that Frederick Veit, who had originally convinced Spring

Arbor College to participate in New Era and who served as attorney to the International Research Institute on Value Changes, "described the mystery donors to the board members this way: New Era can't say who they are, but John Templeton is involved and endorses this" (Stecklow, 1995, May 19, p. A5).

The Templeton "wild card" not only clouded the judgment of participants in New Era, but it also must have contributed to the reluctance of experts with informed concern like Altman and Capin to wage a more open and vigorous campaign to expose New Era. "What will happen to our careers if we go public and it turns out that Templeton really is the angel?" they might think. This possibility troubled Meyer as well. He told me that during the end game he had nightmares that Templeton might really be involved in the program. Finally on April 7, 1995 he called Sir John in the Bahamas and talked to an aide for several minutes asking Sir John to return his call. Shortly thereafter he received a call from Jan Tjepkema, Spring Arbor's vice president for business affairs, summoning him to her office. She then ordered him not to speak further to the Templetons. He then called Templeton's office and said, "My institution does not want me to speak to Sir John, but I just need to leave a message—that I am concerned that his name is being used as one of the anonymous mystery donors in the New Era Philanthropy operation. Even if you are not giving money, the whole world thinks you are, and this whole thing is standing on that representation." With the issue unresolved Meyer vividly recalls walking the floor of his home on the night of Easter agonizing over whether or not Templeton was a benefactor. He argued with himself—"You know Jack Bennett is a fraud! But what if Sir John Templeton really is the angel? No! You know all of the evidence points to a Ponzi scheme! But what will happen to our family if I'm wrong and Templeton is the anonymous donor?" and on and on.

**III. Opposition Mounts**

As Meyer's effort moved *The Wall Street Journal* and the SEC into action, some of the parties debriefed by them began to alert Bennett about the investigation and to press him for reassurances that all was well. Glenn Blossom's grand jury testimony affirms this and also asserts that Bennett had discovered that Meyer was the instigator. He goes on to quote Bennett as saying he had talked to Spring Arbor's President, Allen Carden, and Carden "had apologized to him" and had characterized Albert Meyer as "kind of a loose cannon ... and that everything was okay." Hence, it is not surprising that in late April or early May President Carden called Meyer into his office and told him that Bennett had called and expressed concern over a pending story in *The Wall Street Journal* which could cause some of the group of 125 major donors to pull out of their involvement if there were too much publicity, hampering New Era's ability to fund worthy causes. Carden didn't miss the implied threat to cut off Spring Arbor, and he told Meyer, "If Jack Bennett turns us out, we won't be able to build the library. There will only be one person to blame, and that is you. Do you want to take that responsibility?" He went on to order him, "Never mention the name of Spring Arbor College—this is your own private little investigation. But you'll not mention Spring Arbor College." He covered this same ground in a May 3, 1995 letter to the business department faculty responding to their concerns about New Era without mentioning Meyer specifically by name. In this same letter he also relates a telephone conversation with Dr. Robert Andringa, president of the Council for Christian Colleges and Universities, in which Andringa was clearly applying pressure to shut Meyer up. Andringa (no doubt at the instigation of Bennett) claimed that Meyer's investigation of New Era (now getting results) "might jeopardize the [Council's] opportunity to become engaged with New Era" with whom he was negotiating a "major program to benefit the [Council]." Carden also reported that he and Tjepkema had been interviewed at length by Stecklow, and that Bennett had told him that "he had given this reporter the names of some of the New Era donors who are willing to sacrifice their anonymity to validate the integrity of the ... program." As we have seen in the previous section, this is a bold-faced lie. Carden also said, "This reporter wanted to know if I was going to fire the faculty member who had been in contact with him. I replied, 'Certainly not—unless he becomes an inadequate professor.'" He closed with a warning that while "A healthy skepticism and good questions are commendable; crusading zeal is often counterproductive. You can indeed be a help to SAC by exercising the former, and for that I thank you." Meyer affirmed to me in an interview, "I am a crusader," and the record bears it out. Hence, it is no surprise that when the Spring Arbor Board met a couple days later on the weekend of May 5 and 6 there was discussion in the meeting about how to get rid of him. Should they fire him for insubordination? One trustee reportedly recommended that to the board. Meyer also heard rumors that certain trustees considered applying political pressure to get his "green card" revoked which would force his return to South Africa.[23] Probably the only thing that saved his job was tenure with a measure of faculty support and the scrutiny of Stecklow now hovering in the wings.

> ***... Meyer was the only one who persevered in the quest.***

On May 17 following the New Era bankruptcy, President Carden (who has since left Spring Arbor) did have the Christian grace to send Meyer a letter in which he acknowledged that Meyer had been right in his assessment of New Era. Carden further said, "You risked a great deal to articulate a position in which you strongly believed, and I believe you did so for nothing but the right reasons. Meyer, I speak only for myself, but I believe you did something heroic. You followed your professional instincts when many of us believed you to be wrong. I can only wish that we had been more receptive to your perspective. I thank you for the courage and perseverance you displayed, and I apologize for my criticism of your zeal. You and your colleagues in the business department are owed our thanks."

Joel Belz, publisher of *World,* wrote on May 26, 1995, "I want to thank you personally for your service to the Christian community, the world of philanthropy at large, and even the world of journalism through your persistence in recent months." However, other than brief mention in several Christian press articles such as Giles in *Christianity Today*, the evangelical community has shown little appreciation for the extraordinary stewardship commitment made by Meyer.



The secular world has been slightly more generous with 1) major national coverage of his contribution in the 5/19/95 *Wall Street Journal* article by Carton; 2) major regional coverage by Fritz in the 7/24/95 edition of *Crain's Chicago Business* and by Trickey in the October *Michigan Monthly*; and 3) in the naming of Meyer as one of 12 1995 "Michiganians of the Year" by the *Detroit News*. But why did he do it? With nothing personal at stake, at substantial cost and risk to his family, and all to be ignored by the evangelical community as a reminder of one of its greatest embarrassments, I asked him, "Why did you do it?"

**IV. What Makes Albert Meyer Tick?**

Albert Meyer is a modern day Don Quixote who is driven by lofty ideals and principle, who will "fight for the right without question or pause." He was very uncomfortable when queried about his motivations for taking up this particular cause as though it were the most normal thing in the world—just the right thing to do. With all due respect to Meyer's skills in forensic accounting, it did not take a rocket scientist to see the discrepancies and problems in the New Era financials nor to pursue the basic due diligence which would have exposed problems with the New Era board as well as a total absence of internal systems or controls. And yet Meyer was the only one who persevered in the quest. When pinned down about the issues of risk and cost to family and the awesome energy invested for no personal gain, he finally said, "I don't follow the Lord for the loaves and the fishes; it's much deeper than that. I've always experienced a deep inward peace when I do the right thing and stand up for my principles." He cited his deep conviction that the professional responsibilities of accountants, like those of medical personnel, must be taken very seriously. "I told my accounting students, 'The CPA is not a license to print money; it is a license to be sued. You are the gatekeepers. If you break down, the system breaks down. You are crucial to the financial health of the nation.'" Hence, he was deeply offended by the failure of New Era to provide bona fide audited statements and was offended at the shoddy and unethical performance of McCarthy and Co. Finally, his Afrikaner stock and heritage are importance. As a South African, Meyer may have been less compromised by the evangelical subculture alluded to earlier and less mesmerized by some of the name-dropping. Meyer's father also has set the example of dogged commitment to principle. Trained as an engineer, he moved into a successful career as a marketing executive but passed up a lucrative business opportunity offered by a former classmate because a part of the enterprise dealt in alcohol and tobacco. His father also believes God has called him to reform the Reformed Church in South Africa, and he has passionately committed himself to this task from within that church for the past 15 years. He is an exhaustive expert on Calvin who writes letters constantly confronting church leaders regarding perceived conflicts between biblical truth and their teachings and doctrines. He has even written a book challenging certain aspects of covenant theology. The elder Meyer's persistence to stay and doggedly fight from within remind me a bit of his son.

Is Albert Meyer a hero? Not if heroes have to be perfect. Even Meyer faltered in the face of pressure during the 19 months between July 1993 and the start of the end game in March of 1995 when he had his epiphany. And, if the entire world were made up of Meyers with intense focus on the cause at hand, we would undoubtedly regret the diminished level of mercy, grace, and cozy relationships which relieve the harshness of life in community. One former colleague of Meyer's asserts that he constantly made acerbic remarks about those he was at odds with "behind their backs." But then heroes are not perfect people—they are flesh and blood like the rest of us with all the same warts and blemishes. What sets heroes apart is their ability and willingness to, in the words of a sports metaphor, step it up to another level in the face of crisis. And, Christian heroes demonstrate extraordinary faithfulness and radical faith in the good purposes of God in the time of extreme testing.

**Case Questions to Consider**

1. Why were voices of concern like Scott, Lowe, Carnes, Gardner, Altman, and Meyer ignored and even resented by the parties they were trying to protect?

2. Why was the judgment of so many well-intentioned, intelligent leaders in the NFP community so clouded? What prevented them from performing even rudimentary due diligence consistent with their fiduciary responsibilities?

3. Immediately following New Era's filing for bankruptcy, Sir John Templeton said he was "puzzled by the ... filing but had continued confidence in Mr. Bennett: 'I think he will have good answers, and as people get to know him, I think people will have the same view of him that I do'" (Stecklow, 1995, May 16, p. A8). And "consider ... William Simon, the former Treasury secretary and Wall Street power broker ... who lost $1 million [to New Era]. ... He insists [even now] that he wasn't really the victim of a scam. He has visited John Bennett in jail and has offered him a job if he is paroled. [He] says that, while Mr. Bennett committed a fraud by failing to match the money, he simply got in over his head and couldn't meet commitments. ... 'I don't believe he did anything to defraud me ... To this day I believe his intentions were correct'" (Browning, 1999, p. A1). Does the behavior of the leadership elite in the business and NFP communities with regard to New Era suggest that they can be blinded to simple truth because of self-delusion rooted in arrogance and cronyism? Could this happen in religious, governmental, and educational fields as well? If this can be true, what responsibilities do citizens, members of organizations, employees, etc. have to question decisions which appear to be morally wrong or "wrong-headed?" Can this kind of scrutiny degenerate into destructive cynicism? How do we achieve the healthy balance between organizational loyalty and the scrutiny demanded by Christian stewardship?

4. If you have leadership responsibility in an organization, what steps can you take to avoid the mistakes made by NFPs with regard to the New Era seduction? What does it mean to be a servant leader?

5. How important are financial controls and prudent due diligence in both NFP and business organizations? Why are these professional norms ignored more often in NFPs than in business organizations?

6. What personal qualities enabled Meyer to expose the New Era fraud? Are any of us capable (with God's help) of being an Albert Meyer? What costs are involved? How big would the stakes have to be before I could commit myself to such a course?

7. In what ways do the lives of biblical characters like Noah, David, Nathan, Daniel, Shadrach, Meshach, and Abednego challenge us to do the "right"? Does God really expect us to live like these persons? Was their faith "normal" or "abnormal"?

## ENDNOTES

[1]Wealthy founder of the Templeton Mutual Funds and a renowned benefactor.

[2]A Ponzi (or pyramid) scheme involves attracting cash investments with promises of extraordinary "get rich quick" returns in a short period of time. Cash payments from later investors are used to make promised payments to the early investors who then become unwitting dupes whose testimonials of success are used to pull in an increasing flood of new investors. Thus the incoming cash flows grow exponentially until the supply of victims runs out. The scheme then collapses, but the promoters have long since left the country with the last round of payments. Chain letters are a simple example of a Ponzi scheme.

[3]Later folded into and subsumed by the Foundation for New Era Philanthropy.

[4]This "come on" reminds me of an unfortunate learning experience I had as a young man. I ended up purchasing a "free" set of encyclopedias for nearly $500 after my defenses and good sense were demolished by the salesman who assured me that my wife and I only qualified for this "free" deal because I was such a well-educated, rising, bright young professional that I could provide an absolutely compelling recommendation for them in return.

5A foundation in Briarcliff Manor, New York, controlled by Frederick Veit, a former associate of Spring Arbor development office personnel at King's College (New York). Veit forwarded $250,000 to New Era Philanthropy for 100 percent matching, apparently keeping $44,000 as a "thank offering." According to Allen and Romney and Stecklow (1995, May 19), "finders" such as Veit, Glen Blossom (pastor of Chelten Baptist Church), Russel Rosser (president of the Seminary of the East), and Leonard P. Erb (a consultant to NFPs based in Syracuse, New York) recruited NFPs and philanthropists to participate in FNEP's matching program and often received finder's fees of about five percent. According to Stecklow (1995, June 2) though, J. Douglas Holladay, a former Reagan White House and State Department official prominent in evangelical circles, was probably New Era's most effective finder using the exclusive Links Club in Manhattan to introduce Bennett and New Era to Lawrence Rockefeller, William Kanaga, Julian Robertson, Raymond G. Chambers, and John C. Whitehead. These prestigious financiers sent several million dollars to New Era for matching. Holladay made "more than 50 speeches as a New Era representative [and] he also gave glowing references about New Era to most anyone who asked—including the head of the Maclellan Foundation Inc. in Chattanooga, Tennessee, which went on to give New Era a total of $5.2 million in 1994 and 1995." New Era tax records show that he was paid $162,500 as a consultant in 1993 and this insider relationship tainting objectivity was not disclosed to most contacts. In its 1994 registration form filed with the Commonwealth of Pennsylvania, New Era "denied compensating any person or intending to compensate any person for conducting solicitations" (Staff Report, 1995, p. 19).
The use of finders and Spring Arbor's experience with Veit would seem to be a direct contradiction to this statement, although FNEP apparently did attempt to phase out the use of finders at a later date—perhaps the beginning of 1994.

[6]If one assumes that 1) 50 percent of the "grants paid" in 1993 of $34,563,600 were funded by benefactors, 2) the other 50 percent were a return of "invested" funds to beneficiary donors, and 3) if the funds were held in treasuries for six months at 5 percent interest, then interest income would have been at least $432,045. However, with the exponential growth of the program the average funds received and held in quasi-escrow accounts should have exceeded this level—perhaps by a factor of two.

[7]Noted by Meyer in a letter dated 3/23/95 to the Office of the Attorney General based upon information provided by Bill Altman of Ernst & Young.

[8]With the benefit of hindsight one should suspect that the failure to distinguish between benefactor revenue available for matching and beneficiary donor investments to be matched in the $41.2 million grant revenue meant that there were **no** anonymous donors and hence no need to distinguish revenues. Furthermore, the statements include no note of liabilities for the Prudential Securities margin account. However, the existence of such an account may not have been public knowledge until Prudential closed the account in the closing days of the end game.

[9]In some cases New Era made charitable "gifts" to organizations with no match requirement. These apparently totaled $20 million (Williams, 1996). For example, Mercy Corp received regular quarterly grants without any expectation of "investments" from Mercy Corp for a total of about $300,000 over three years (Stecklow, 1995, May 16).

[10]Meyer elaborates, "Obviously being awarded tenure gave me a lift, but I knew that if I was proven wrong I would have been left with no other choice but to resign. It would have been untenable for me to have stayed at the College if Bennett had taken a million dollar grant away from the College because I 'broke the rule.' Even if he had not ruled Spring Arbor out of further grants I would have had to leave. It was a high risk and I knew it."

[11]Referring to the need to review in preparation for sitting for the four sections of the CPA exams on May 2, 3, and 4.

[12]Meyer's colleagues contributed immeasurably to his investigation by insisting that he obtain the 1992 and 1993 Form 990s and 1993 Financial Statements for first-hand analysis and scrutiny rather than relying on the characterizations of Capin and Altman.

[13]No doubt many of the inquires were prompted by Meyer's crusade even though few would acknowledge that to him.

[14]Under pressure from SEC and *Wall Street Journal* inquiries, Bennett on 4/30/95 sent his attorney, Fred Gerhart, "the list of our anonymous participating philanthropists," which included 110 names of individual donors including Charles Fry, William Pollard, Lawrence Rockefeller, and Glen White.
This was pure deceit, as these individuals participated in New Era as beneficiary donors whose gifts were to be matched—not anonymous donors making undesignated gifts as he claimed (Grand Jury Exhibit 69).

[15]Including $2.5 million to Bennett Group International Ltd., a consulting company where Bennett served as CEO. He claimed the money was provided by a group of philanthropists so he could draw a salary, however the funds were actually siphoned from New Era participants. Although Bennett bragged that he never took a salary from New Era, he did receive millions from these other related organizations during the six years (Allen and Romney, 1998).

[16]In Hilburg's testimony about his 5/12/95 meeting with Bennett, he said, "At least three times during the course of the afternoon he said to me, 'You know, we give away more money than the Carnegie, Mellon, and Rockefeller foundations.' And he seemed very much preoccupied with the fact that he was as important as the Carnegies, Mellons, and Rockefellers."

[17]He may have had a glimmering towards the end because Stecklow (1995, May 15) quotes "New Era officials" as saying that "the matching program for institutions and philanthropists ... will end next year because it has been difficult to administer" (p. A7).
How they thought they could stop the pyramid from toppling is a mystery.

[18]According to the testimony of Andrew Cunningham, Bennett claimed to have loaned substantial sums of money to New Era in the 1991 time frame for which he was collecting repayments in 1992 and 1993. Unfortunately he had no documentation for the transactions.

[19]It's also disheartening that NFP executives and trustees failed to question this absurdity. Perhaps they believe in perpetual motion and 150 percent efficiency as well!

[20]Although several commentators have noted that Bennett would regularly cut special deals suspending the rules whenever it served his purposes.

[21]Bennett's memo amount. The balance was $44.9 million when Prudential closed the account with a set-off against securities held on May 11.

[22]One unidentified financial executive acknowledged that "close connections among ... prominent Christian groups may have prevented some overseers from adequately evaluating New Era before putting funds at risk. 'We're part of a subculture. ... Development officers call each other to share fund-raising tactics and strategies'"
(Fritz, 1995, p. 17).

[23]Balancing the scale somewhat, Peter Baumann, an immigration lawyer in Philadelphia, displayed great citizenship following the collapse of New Era by processing the Meyer family's immigration papers *pro deo* in recognition of Meyer's efforts to protect the nonprofit community, particularly the charities in Philadelphia.

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JBIB



**EXHIBIT I**
**Summary of New Era Revenues**

| YEAR | REVENUE* | % OF PRIOR YEAR REVENUE |
|---|---|---|
| 1989 | $ 306,201 | N.A. |
| 1990 | $ 1,402,946 | 458% |
| 1991 | $ 2,616,847 | 187% |
| 1992 | $ 8,641,170 | 330% |
| 1993 | $ 41,259,917 | 477% |
| 1994 | $140,000,000 (est) | 339% |
| 1995 (to 5/15) | $161,000,000 (est) | 230% |

*Revenues for 1989 to 1993 taken from 1993 Form 990. 1994 and partial 1995 are estimated from figures released by the bankruptcy trustee, Arlin Adams. (See Williams, 1996, p. 28). The literature elsewhere loosely estimates $100 million for 1994 and $1 million per day for 1995 but these fall short of explaining the reported $225 million of unmatched principle "invested" at bankruptcy.

## EXHIBIT II
**Talking Point Letter to Steve Stecklow-5/9/95**
Page 1

2953 S Dearing
Spring Arbor
MI 49283

May 9, 1995

Mr Steve Stecklow
Wall Street Journal
Boston

Dear Steve,

Thanks for the update,

As far as Bennett's financial statements are concerned, we would like to know:

1. Where is the interest being earned on the escrow accounts?
2. Where are the T-Bill investments on the Balance Sheet?
3. What is this investment of $1.1 million in a closely held corporation on the last day of the financial year?
4. Why are you investing in common stock?
5. Why are you confirming to auditors of institutions, that you are indebted to them for the funds submitted, but your balance sheet does not reflect such liabilities?
6. Why do you say that you do not understand the financial statements, when the auditors' report states that the financial statements are the representation of management? Is there anyone else on your Board that could explain these concerns to us?
7. Albert Meyer asked your accountant, Mr Cunningham, what was wrong with placing the funds on deposit with Dean Witter Reynolds in the name of individual institutions? His response was that : "If you give us $800,000 today we may not have it tomorrow... we could have used it for charitable purposes." Doesn't that point to the possibility, that this is a "rob Peter to pay Paul operation"?

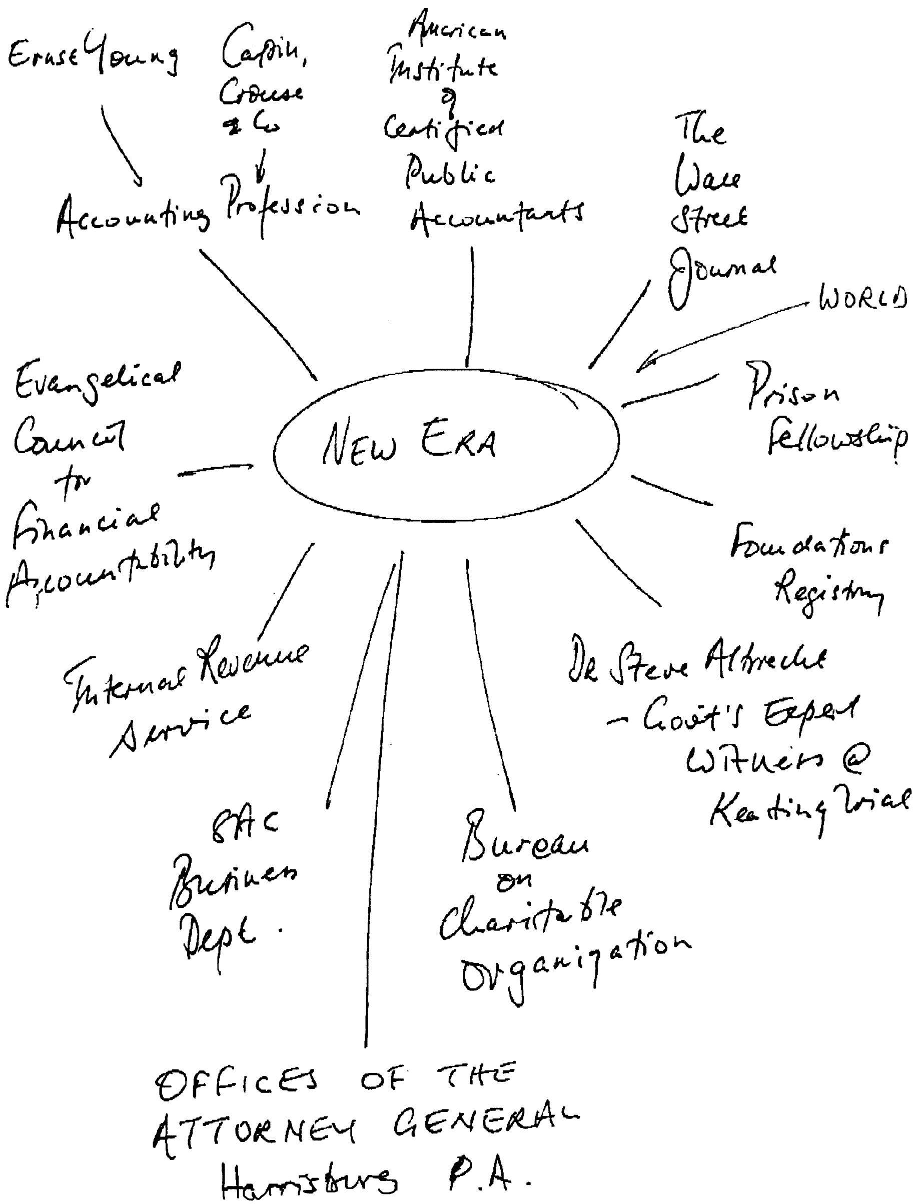


## EXHIBIT II
**Talking Point Letter to Steve Stecklow-5/9/95**
Page 2

8. Why did your auditors submit financial statements with a Review Report to the State of PA, when New Era distributes financial statements with a standard unqualified Audit Report attached to it? The two reports are contradictory to each other. This is a serious violation of professional ethics on the part of your auditors. The AICPA have been informed of this and they are investigating.
9. If institutions believe that in substance they are investors, then you may be violating SEC regulations, which is extremely serious. By the way, the SEC is investigating this with the help of big six accounting firms.
10. Contrary to your claim that the IRS has done an audit on New Era as late as November 1994, the fact is that the audit covered the year ended December 1992. The IRS is not amused by that claim and they are also investigating this, with the help of the Attorney General's office in Harrisburg, PA.
11. The good news is there is only one way out and that is to submit yourself to a full blown audit, conducted by a big six firm. Would you be prepared to agree to that Mr Bennett?

Wish I could be a fly on the "Wall"!

**EXHIBIT III**
**Graphic of Albert Meyer Laying Out the Multi-Front End Game**






**APPENDIX A**
**New Era Financial Statements-Year Ending December 31, 1993**
Page 1

FOUNDATION FOR NEW ERA PHILANTHROPY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1993

APPENDIX A

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BUREAU OF CHARITABLE ORGANIZATIONS

## FOUNDATION FOR NEW ERA PHILANTHROPY

## FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 1993

### TABLE OF CONTENTS







JOHN P. McCARTHY AND COMPANY
Certified Public Accountants

To the Board of Directors
Foundation For New Era Philanthropy
Radnor, Pennsylvania

We have audited the accompanying balance sheet of the Foundation For New Era Philanthropy (a non-profit organization) as of December 31, 1993 and the related statements of activity and changes in financial position for the year then ended, accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Foundation For New Era Philanthropy.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

John P. McCarthy & Co.

May 20, 1993

460 Germantown Pike, P.O. Box 107
Lafayette Hill, PA 19444
(610) 828-1900 Fax (610) 828-2599

FOUNDATION FOR NEW ERA PHILANTHROPY

BALANCE SHEET

DECEMBER 31, 1993

ASSETS

| | | |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents (Note A) | $ 1,703,810 | |
| Grants Receivable | 160,000 | |
| Interest Receivable | 218 | |
| Prepaid Expenses | 77 | |
| Marketable Securities (Note B) | 1,523,004 | |
| TOTAL CURRENT ASSETS | | $ 3,387,109 |
| PROPERTY & EQUIPMENT (Note A) | | |
| Furniture & Fixtures | 46,599 | |
| Office Equipment | 51,991 | |
| | 98,590 | |
| Accumulated Depreciation | (26,633) | |
| | | 71,957 |
| OTHER ASSETS | | |
| Investment in Nonmarketable Equity Securities | 1,100,000 | |
| Deposit (Note C) | 50,000 | |
| | | 1,150,000 |
| TOTAL ASSETS | | $ 4,609,066 |





LIABILITIES AND FUND BALANCE

| | | |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accrued Expenses | | |
| Consulting Fees | $ 6,843 | |
| Consulting Expenses | 5,068 | |
| Operating Expenses | 19,910 | |
| TOTAL CURRENT LIABILITIES | | $ 31,821 |
| FUND BALANCE | | 4,577,245 |
| TOTAL LIABILITIES AND FUND BALANCE | | $ 4,609,066 |

See notes to financial statements.

- 2 -

STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 1993

| | | |
|---|---|---|
| SUPPORT AND REVENUE | | |
| Grants (Note B) | $ 41,242,571 | |
| Interest Income | 33,788 | |
| Dividend Income | 2,155 | |
| TOTAL SUPPORT AND REVENUE | | $ 41,278,514 |
| PROGRAM EXPENSES (Schedule I) | 36,319,839 | |
| GENERAL & ADMINISTRATIVE EXPENSES (Schedule II) | 703,532 | |
| TOTAL EXPENSES | | 37,023,371 |
| EXCESS OF SUPPORT AND REVENUE OVER EXPENSES | | 4,255,143 |
| FUND BALANCE - BEGINNING OF YEAR | | 322,102 |
| FUND BALANCE - END OF YEAR | | $ 4,577,245 |

See notes to financial statements.







FOUNDATION FOR NEW ERA PHILANTHROPY

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1993

| | | |
|---|---|---|
| RESOURCES PROVIDED | | |
| Excess of Support and Revenue Over Expenses | | $ 4,255,143 |
| Items Not Requiring/(Providing) Resources | | |
| Depreciation | $ 16,068 | |
| Grants Receivable - Increase | (160,000) | |
| Interest Receivable - Increase | (218) | |
| Prepaid Expenses - Increase | (77) | |
| Accrued Expenses - Decrease | (141,517) | |
| | | (285,743) |
| | | 3,969,400 |
| RESOURCES USED | | |
| Increase in Marketable Securities | 1,511,319 | |
| Investment in Nonmarketable Equity Security | 1,100,000 | |
| Purchase of Furniture & Equipment | 25,277 | |
| | | (2,636,596) |
| NET INCREASE IN CASH | | 1,332,804 |
| CASH AT BEGINNING OF YEAR | | 371,006 |
| CASH AT END OF YEAR | | $ 1,703,810 |

See notes to financial statements.

FOUNDATION FOR NEW ERA PHILANTHROPY

NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Foundation For New Era Philanthropy (Foundation) works with other non-profit organizations to assist them in expanding their individual philanthropic capabilities. This is accomplished through evaluating, developing and providing programs on behalf of grantmaking institutions and individuals free of charge. Direct financial assistance may also be given. The Foundation conducts its activities from its offices in Radnor, Pennsylvania. During the year ended December 31, 1993, the Foundation opened an office in London, England to conduct the same type of activities as those conducted in the United States.

The Foundation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Accounting Method

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash & Cash Equivalents

Included in cash equivalents are investments in short-term securities which mature or are redeemable within the next three months.

Property & Equipment

Property and equipment is stated at original cost. Depreciation is computed by using the straight-line method over an estimated useful life of five years. The total amount of depreciation charged to operating activities for the year ended December 31, 1993 amounted to $ 16,068.

NOTE B - MARKETABLE SECURITIES / INVESTMENT INCOME & LOSSES

Carrying Value of Marketable Securities

Marketable securities at December 31, 1993 are carried at the lower of aggregate donated value (the quoted market value at the time of receipt) or current market value. Marketable securities at December 31, 1993 had a total donated value of $ 1,523,004 and a total market value of $ 1,544,422 for an unrealized gain of $ 21,418.





FOUNDATION FOR NEW ERA PHILANTHROPY

NOTES TO FINANCIAL STATEMENTS

NOTE B - MARKETABLE SECURITIES / INVESTMENT INCOME & LOSSES (cont'd)

Gains & Losses on Sale of Marketable Securities

Support may be received from individuals in the form of marketable securites which are generally sold at the earliest possible date. Frequently there is a gain or loss in such a case but the gain or loss is generally immaterial. Such gains and losses are considered to be an element of the support received and are included in total support for financial reporting purposes. For purposes of federal reporting with the Internal Revenue Service, these gains and losses must be shown seperately and, therefore, grants received as shown on financial statements would be different than grants received as reported to the Internal Revenue Service. During the year, securities were sold for a net realized loss of $ 17,346.

NOTE C - DEPOSIT

As a result of a long-term lease agreement on its office space in Radnor, Pennsylvania, the Foundation has advanced a $ 50,000 deposit to be held in escrow.

NOTE D - RENT EXPENSE / LEASE AGREEMENTS

The Foundation has signed a five-year, non-cancelable lease agreement for use of its office space in Radnor, Pennsylvania which expires September 30, 1997. During the year, the Foundation expanded the amount of its office space with a corresponding increase in monthly rent effective November 1, 1993. The amount of rent due per month is subject to annual adjustment based on current market rates; however, the minimum remaining lease payments under this agreement are as follows:

| YEAR | AMOUNT |
|---|---|
| 1994 | $ 94,560 |
| 1995 | 94,560 |
| 1996 | 94,560 |
| 1997 | 70,920 |
| | $ 354,600 |

NOTE E - INVESTMENT IN NONMARKETABLE EQUITY SECURITIES

This amount represents a minority interest in a closely held corporation. The investment is carried at its original cost of $ 1,100,000 at December 31, 1993. 2

FOUNDATION FOR NEW ERA PHILANTHROPY

NOTES TO FINANCIAL STATEMENTS

NOTE F - RELATED PARTY INFORMATION

Professional Fees

Professional fees totalling $ 14,733 for services rendered on behalf of the Alan Ameche Memorial Foundation (a non-profit organization) were paid by the Foundation. The Alan Ameche Memorial Foundation and the Foundation have a common officer.





Schedule I

FOUNDATION FOR NEW ERA PHILANTHROPY

SCHEDULE OF PROGRAM EXPENSES

YEAR ENDED DECEMBER 31, 1993

| | |
|---|---|
| Grants Paid | $ 34,563,600 |
| Consultants' Fees, Faculty, Technical Advisors & Expenses | 1,169,673 |
| Seminar Travel & Lodging | 502,198 |
| Seminars & Educational Development | 84,368 |
| | $ 36,319,839 |

See notes to financial statements.

**APPENDIX A**
**New Era Financial Statements-Year Ending December 31, 1993**
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Schedule II

FOUNDATION FOR NEW ERA PHILANTHROPY

SCHEDULE OF GENERAL & ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 1993

| | |
|---|---|
| Automobile Expenses | $ 3,891 |
| Bank Charges & Wire Fees | 2,178 |
| Depreciation (Note A) | 16,068 |
| Dues, Subscriptions & Memberships | 21,259 |
| Employee Benefits | 67,206 |
| Insurance | 15,481 |
| Legal & Accounting | 137,400 |
| Luncheons & Meals | 15,571 |
| Maintenance & Repairs | 438 |
| Office Expense | 16,243 |
| Photocopying Leases & Charges | 7,348 |
| Postage & Shipping | 10,712 |
| Printing | 53,449 |
| Professional Fees | 52,284 |
| Remembrances | 8,926 |
| Rent (Note D) | 78,644 |
| Salaries | 119,354 |
| Supplies | 25,874 |
| Taxes - Payroll | 11,211 |
| Telephone | 24,166 |
| Temporary Services | 4,765 |
| Utilities | 11,064 |
| | $ 703,532 |

See notes to financial statements.

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