

ACORN Losing Funding From Big Foundations

By Susan Kinzie Washington Post Staff Writer

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The liberal political organizing group ACORN, battered by the release of embarrassing videos and allegations of financial mismanagement and fraud, has also been losing support from several major foundations.

The Ford Foundation, the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, the Marguerite Casey Foundation and Bank of America have stopped funding the group and its affiliates over the past year and a half.

The Association of Community Organizations for Reform Now, a network that helps low-income families with housing, voter registration and other issues, receives about 10 percent of its \$25 million annual budget from federal grants, according to Brian Kettenring, deputy director of national operations. The rest comes from foundations, membership dues and private donations.

The Annie E. Casey Foundation stopped making grants to ACORN in early 2009, according to spokeswoman Sue Lin Chong. The Casey foundation gave an average of \$270,000 a year to ACORN. The foundation saw good results from the grants and believes the funding was used appropriately, according to Cho.

The Ford Foundation, which has given nearly \$2 million, suspended funding for ACORN and its affiliate organizations about a year ago because of concerns about inadequate financial controls and procedures, according to spokeswoman Fiona R. Guthrie.

One local group said it has no plans to change the terms of a \$50,000 grant awarded this summer. The Collaborative for Education Organizing, part of the Community Foundation for the National Capital Region, sponsored a project aimed at organizing parents of District public high school students to advocate for change in the classroom. They are going to keep a real close eye at what's going on at D.C. ACORN and make a decision on how they proceed with the grant," said Terri Freeman, Community Foundation president. Half of the money is contingent upon an interim report due early next year.

The organization was embarrassed recently by videos showing some of its counselors providing advice to a man and woman masquerading as a pimp and a prostitute. It has also been wrestling with an alleged embezzlement scheme by the founder's brother that brought the group to the brink of financial collapse, according to internal documents. Congress recently voted to ban federal funding for the group, and the Census Bureau and the Internal Revenue Service suspended their cooperation with it. There have been investigations into allegations of voter registration fraud.

ACORN officials have said that new leadership is making important changes, and that it is trying to resolve tax delinquencies related to the alleged embezzlement. In the past few weeks, organization leaders sent out pleas for help to supporters. Kettenring estimated that there has been a tenfold increase in grass-roots support, but said he does not know exact amounts.

All of their funders are concerned, Kettenring said, but some have responded by continuing, or even increasing, their support. They include the Needmor Fund, a family foundation based in Toledo that gave about \$150,000 a year to local organizations affiliated with ACORN. The fund suspended grantmaking in June 2008 because of the alleged embezzlement. It resumed its funding in September after ACORN took corrective action, said Dave Beckwith, Needmor's executive director.

Did ACORN get too big for its own good?

By SHARON THEIMER and PETE YOST

Associated Press Writers

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WASHINGTON (AP) - Activist group ACORN started in 1970 to help the poor in Arkansas and quickly went national, growing into a multimillion-dollar conglomerate with a mission so far-flung that schools now bear its name, two radio stations are affiliates and a man it backed is the president. Oh yeah, it's also the unwilling star of a hot Internet video featuring a couple dressed as a hooker and her pimp. And that last bit is just one of its problems.

The organization praised for its Hurricane Katrina relief efforts and treated by federal, state and local governments as a valuable public resource has had nearly \$1 million embezzled by its founder's brother. The openly Democratic-leaning group has seen its employees accused of voter registration fraud, and taking it down has become a cause celebre for Republican lawmakers, activists and pundits.

As if volunteers allegedly signing up cartoon character Mickey Mouse to vote didn't give ACORN enough bad publicity, the public is enthralled with new videos appearing on the Internet and TV news shows showing ACORN employees in Brooklyn, N.Y., advising a couple posing as a prostitute and pimp to lie to get housing aid, and employees in other cities counseling the pair on tax, banking and immigration issues.

Many Democrats used to advertise their ACORN connections. Now, however, the Democratic-led Senate has voted to cut off its grants from the Department of Housing and Urban Development, and the Democrat-dominated House doesn't want it to get any federal money, period.

White House press secretary Robert Gibbs called the conduct in the videos "completely unacceptable" and a prominent ally of President Barack Obama, John Podesta, is on an ACORN advisory panel working to clean up the mess.

Republicans are using ACORN to portray Democrats as corrupt and distract Obama from his policy agenda, the same way Democrats used issues involving Halliburton, the giant government contractor and ex-employer of former Vice President Dick Cheney, against the GOP during the Bush years. Top Republicans from congressional leaders to California Gov. Arnold Schwarzenegger want criminal probes of ACORN and conservative voters are pressuring news organizations for coverage.

The Census Bureau this month cut ties with ACORN for the 2010 census, and a nonpartisan watchdog group, Citizens Against Government Waste, named senators who voted to continue financing ACORN the "September Porkers of the Month."

New York Gov. David Paterson on Friday ordered state agencies to examine contracts with ACORN and place holds on them in the meantime.

ACORN has portrayed its problems as the unfortunate work of a few employees. In the best case, that suggests it made bad hires and gave them poor training and supervision. But when the founder of a national organization admits attempting to keep quiet his brother's theft of more than \$900,000, it's a sign that ACORN's problems may rise high and run deep.

How did ACORN wind up in this mess? Did it simply grow too big for its own good?

The scope of government investigations into its activities is unknown. Voter registration fraud cases involving ACORN workers are pending. HUD's inspector general has acknowledged an investigation is under way. ACORN this past week announced it would investigate the video scandal and suspend the admission of new clients into its housing program.

ACORN chief executive Bertha Lewis has pledged to do whatever necessary "to re-establish the public trust." She condemned the actions of the two employees who appeared in the Brooklyn footage, but ACORN also contends segments of the video shot there and elsewhere by the hidden-camera couple were manipulated to make it look bad.

"We understand that the Republican Party is upset and the right wing is upset because they are out of power now," Lewis said Friday on New York radio station WNYC.

James O'Keefe, one of the two filmmakers, said he went after ACORN because it registers minorities likely to vote against Republicans: "Politicians are getting elected single-handedly due to this organization," O'Keefe told The Washington Post. "No one was holding this organization accountable."

The group is confident it can ride out its troubles.

"The majority of our funding comes from our membership and from our supporters," spokesman Brian Kettenring said. "Any attempt to try to limit our access to particular sets of funding is not likely to have much impact on our core operations. It will hurt the individuals that benefit from that particular project. It's pretty clear this sort of attempt to cut off funding is politically motivated more than sort of driven by a high-minded concern for good governance."

ACORN's annual budget is \$25 million, Kettenring said. Of that, about 10 percent is federal money and a much smaller share comes from state and local governments, he said. The budget covers ACORN's national office, its state and local chapters and the ACORN Institute, Kettenring said.

ACORN doesn't file a publicly available report with the Internal Revenue Service detailing its finances, spending, relationships and activities. Some of its arms do, but those reports do not reflect the full range of money ACORN gets or all the things it does.

HUD said this past week that it has given ACORN roughly \$42 million since the 2000 budget year. A July report by Rep. Darrell Issa, R-Calif., a member of the House Oversight and Government Reform Committee, said ACORN had received more than \$53 million in federal money since 1994.

ACORN - short for the Association of Community Organizations for Reform Now - began in Little Rock, Ark., in 1970 as the Arkansas Community Organizations for Reform Now. Founded by community organizer Wade Rathke, ACORN's goal was to merge the varied interests of the economically disenfranchised, from welfare mothers to working people in need, regardless of race.

"I had great respect for Wade," Little Rock civil rights lawyer John Walker recalled Thursday. "He was smart. He seemed principled. He was dedicated. He was able to establish rapport with people. Wade was seeking to empower the powerless by getting them involved in the political process."

In the 1970s, Rathke succeeded in spreading the vision of civil rights leader George Wiley to other states and in 1978, ACORN held its first national convention.

Besides its community organizing, housing work and get-out-the-vote activities, over the years ACORN has tackled such varied issues as predatory lending, a California power plant, a

telecommunications company merger, immigration fraud, financial literacy, racial discrimination, land use and lead poisoning.

It opposed Wal-Mart's effort to start a bank and contends that big-box stores often take away more from communities than they give. It joined with former President Bill Clinton's foundation to make Hurricane Katrina survivors aware of a tax credit for low-income workers.

ACORN in 2006 estimated the monetary value of its successful activism over the previous decade at \$15 billion.

Its affiliates include nonprofit radio stations KNON in Dallas and KABF in Little Rock. The stations and ACORN work closely together and have offices in the same buildings, Kettenring said.

Two schools in New York City have partnered with ACORN and bear its name: ACORN Community High School and ACORN High School for Social Justice. Their state report cards identify ACORN Community High School as in good standing for student performance, while the other school needs improvement in some areas.

ACORN has long been involved in politics.

In the 1970s, the group supported candidates in Little Rock and several ACORN members were elected themselves.

In 1984, seven local ACORN groups supported Jesse Jackson for president in state primaries, and four years later the organization had 30 delegates at the Democratic National Convention on his behalf.

In the early days in Little Rock, the local power structure tried to ignore ACORN, a tactic that didn't work, recalls Walker, the civil rights lawyer.

"They were very vocal and very active for the years of their infancy," Walker recalls. "They were very effective."

ACORN calls itself the largest grass-roots community organization of low- and moderate-income Americans. It claims over 400,000 families and more than 1,200 neighborhood chapters in about 75 cities. The group and Obama have long known each other.

Obama helped represent ACORN in a 1995 lawsuit against Illinois that forced enactment of the "motor-voter law," making it easier to register to vote.

ACORN's political action committee endorsed Obama for president and his campaign gave an ACORN subsidiary \$832,000 for get-out-the-vote activities.

In a video posted on YouTube days before the November election, Lewis told New Yorkers to "vote for the community organizer Barack Obama."

"I've been fighting alongside ACORN on issues you care about my entire career," Obama told ACORN leaders in November 2007, according to a posting on Obama's campaign Web site.

"Even before I was an elected official, when I ran Project Vote voter registration drive in Illinois, ACORN was smack dab in the middle of it, and we appreciate your work."

Pro-Democratic groups, including unions, paid ACORN branches and affiliates for get-out-the-vote activities in the last election.

ACORN's connections to unions - Andrew Stern, president of the Service Employees International Union, is among those with Podesta on the ACORN advisory panel - illustrate some of the contradictions found in its past.

Despite apparently sharing union priorities such as higher pay for minimum-wage workers, ACORN got in trouble with the National Labor Relations Board during President George W. Bush's first term for allegedly attempting to thwart employee efforts to unionize.

According to an NLRB case accusing ACORN of unfair labor practices, "field organizers were expected to work long hours each week - 54 hours - and were paid at a salary of \$16,000 annually until January 2001, when the salary was raised to \$18,000."

The NLRB documented high turnover among ACORN employees: In 2000, far less than 10 percent of Dallas office employees stayed in the job for six months, and "most did not even complete their training period, but quit within a few days or weeks of being hired," according to the NLRB.

During the Clinton administration, the Labor Department accused ACORN arm, Citizens Consulting Inc., of failing to pay workers overtime. Kettenring had no immediate information about the outcome of either case.

Those cases drew little attention. Not so the embezzlement scandal.

Kettenring confirmed that Wade Rathke's brother, Dale Rathke, stole around \$948,000 from the organization in 1999 and 2000, and that Wade Rathke became aware of it in 2000 but told only a few people. It wasn't reported to law enforcement.

Dale Rathke was removed from a leadership position in 2000. He and Wade Rathke were fired last year, and an anonymous donor compensated ACORN for the missing money, Kettenring said.

Two board members sued in August 2008, accusing Wade Rathke of failing to properly report the embezzlement.

Wade Rathke told AP last October that he took responsibility for his brother's "mistakes" by resigning in June 2008 as ACORN's chief organizer. ACORN removed the board members who sued. Lewis said they were "aggressively trying to distract the organization from its core mission."

Wade Rathke said last fall that he remained chief organizer for ACORN International. Kettenring said the two organizations have no relationship, and that ACORN insisted that Rathke's group change its name. It is now Community Organizations International.

Rathke has said he meant to resolve the embezzlement with "private restitution." Reporting the case to police could have put ACORN at risk of financial ruin, Rathke said.

"One choice would have been to go that way," he said in the 2008 interview, "but then we wouldn't have been able to collect that money."