

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL
CORPORATE OVERSIGHT DIVISION

In the Matter of the:

AG No. 2016-0131325-A

Firefighters Support Services, Inc.

Notice of Intended Action and
Cease and Desist Order

To: Firefighters Support Services, Inc.

Matthew Cahillane
Resident Agent
2011 Oak Street
Wyandotte, MI 48192

Martin McCarthy
Copilevitz & Canter
310 West 20th Street, Suite 300
Kansas City, MO 64100

Associated Community Services

Robert W. Burland, Jr.,
President and Resident Agent
23800 W. Ten Mile Road, Suite 200
Southfield, Michigan 48033

Jody Wahl (*via email*)
Compliance Officer
jwahl@cpsvcs.com

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Bill Schuette, Attorney General of the State of Michigan, under Section 20(4) of the Charitable Organizations and Solicitations Act, MCL 400.271 *et seq.*, notifies Firefighters Support Services, Inc. of his intention to bring a civil action against Firefighters Support Services in Ingham County Circuit Court and gives Firefighters Support Services twenty-one days (21) to cease and desist all charitable solicitations containing misrepresentations or misleading or false statements, and to cease and desist all Michigan solicitations—whether to Michigan residents or from Michigan—until Firefighters Support Services has amended its 2014 IRS Form 990 to correct all false statements. Before bringing a civil action, the Attorney General will consider accepting an assurance of discontinuance or other appropriate settlement agreement.

This Notice of Intended Action and Cease and Desist Order is also being directed to Associated Community Services, Firefighters Support Services' licensed professional fundraiser, to notify Associated Community Services of its client's alleged violations and order Associated Community Services to cease and desist all charitable solicitations on behalf of Firefighters Support Services containing misrepresentations or misleading or false statements, and to cease and desist all Michigan solicitations—whether to Michigan residents or from Michigan—on behalf of Firefighters Support Services until Firefighters Support Services has amended its 2014 IRS Form 990 to correct all false statements.

I. Jurisdictional Allegations

1. The Michigan Department of Attorney General regulates soliciting charitable organizations and their fundraisers under the Charitable Organizations and Solicitations Act, MCL 400.271 *et seq.* Before soliciting, a charitable organization must register with the Attorney General. MCL 400.273. Before soliciting, a professional fundraiser must be licensed by the Attorney General. MCL 400.287.
2. Respondent Firefighters Support Services, Inc., (FSS) is a Nevada nonprofit corporation located at 2011 Oak St., Wyandotte, Michigan 48192. Its resident agent is its Treasurer, Matthew Cahillane, 2011 Oak Street, Wyandotte, MI 48192.
3. FSS is registered with the Michigan Attorney General as a charitable organization under the Charitable Organizations and Solicitations Act as #36846.
4. As a registered charitable organization that operates and solicits in Michigan, FSS is a person subject to the authority of the Attorney General under the Charitable Organizations and Solicitations Act. MCL 400.271 *et seq.*; MCL 400.272(a) and (e).
5. FSS solicits in Michigan and in other states through its professional fundraiser Associated Community Services (ACS), located at 23800 W. Ten Mile Road, Suite 200, Southfield, Michigan 48033. ACS is licensed

- in Michigan as a professional fundraiser under the Charitable Organizations and Solicitations Act as #22535.
6. As a licensed professional fundraiser that operates and solicits in Michigan, ACS is a person subject to the authority of the Attorney General under the Charitable Organizations and Solicitations Act. MCL 400.271 *et seq.*; MCL 400.272(f). ACS's resident agent is Robert W. Burland, Jr., 23800 W. Ten Mile Road, Suite 200, Southfield, Michigan 48033.

II. Background Facts

7. In November 2015, FSS submitted its annual renewal form to the Attorney General's Charitable Trust Section. **Exhibit 1**, FSS's November 2015 Renewal Form and 2014 Form 990.
- a. The Form 990 reported \$2,052,390 in contributions, including \$414,785 of in-kind contributions, i.e., non-cash contributions. **Exhibit 1**, 2014 Form 990, Page 9. Cash contributions thus equaled \$1,637,605.
- b. Of the \$1,637,605 in cash contributed, \$1,356,968 (83%) was paid for fundraising activities: \$890,703 to ACS, and \$466,265 to ACS's affiliate Central Processing Services, LLC for "caging and fulfillment" services. **Exhibit 1**, 2014 Form 990, Page 8.

c. The Form 990 reported two charitable programs totaling \$573,523: (1) grants of \$41,086 to provide aid “to burn victims by donating amount to a burn charity and provided direct aid to two individuals who suffered losses from fires”; and (2) non-cash grants valued at \$532,437 for providing “firefighting equipment and emergency medical blankets to various fire departments.”

Exhibit 1, 2014 Form 990, Page 2.

i. Of the \$41,086 in cash grants, a total of \$35,000 was granted to four burn camps. **Exhibit 1**, 2014 Form 990, Schedule I.

ii. Of the \$532,437 in non-cash grants, \$465,653 represented four large donations of EMS blankets, with three shipments to the San Francisco Fire Department and the fourth to the Detroit Fire Department. **Exhibit 1**, 2014 Form 990, Schedule I. The remaining non-cash grants were donations of thermal imagers and “pak trackers” to various fire departments around the country. *Id.*

d. On its Charitable Solicitation Renewal Form, FSS reported two accomplishments: (1) “Provided aid to burn victims by providing grant to a burn charity”; and “Provided locator/tracking equipment and medical supplies to various fire departments.”

8. After reviewing, the Department of Attorney General's Charitable Trust Section Auditor, requested FSS's solicitation materials and information regarding FSS's receipt and subsequent donation of the \$414,785 of emergency medical blankets reported on FSS's 2014 Form 990. **Exhibit 2**, Dec. 8, 2015 Letter from Charitable Trust Auditor Joe Kylman.
9. FSS responded through its law firm, Copilevitz and Canter, explaining that FSS receives the donated blankets from the charity World Assist, which itself receives the blankets from the United States Department of Defense. **Exhibit 3**, Jan. 26, 2016 Letter from Martin McCarthy.
 - a. FSS uses a third party, Charity Services International, to assist with the valuation of the donated blankets, which it valued at \$20.83 per blanket, and to ship the blankets. In support of the valuation of the blankets, FSS's response included representative samples showing individual emergency blankets sold at four online retailers, including Amazon.com, at prices between \$19.88 and \$22.49, averaging to \$20.83. In this way, FSS obtained a valuation for its four shipments of blankets at \$103,983.36 (4,992 blankets x \$20.83), \$103,983.36 (4,992 blankets x \$20.83), \$99,984.00 (4,800 blankets x \$20.83), and \$95,984.64 (4,608 blankets x \$20.83). **Exhibit 3**.

- b. FSS's response also explained that it spent \$50,868 to ship the blankets and used donated cash to purchase some of the thermal imagers and pak trackers that it donated to various fire departments. **Exhibit 3.**

10. FSS later supplemented its response by producing representative samples of its solicitation materials. **Exhibit 4**, Feb. 5, 2016 Email from Martin McCarthy.

- a. Included in these materials was a solicitation script that began:
"You know, you're harder to catch than a cat in a tree. This is John with AC Services a professional fundraiser calling on behalf of the Firefighters Support Services. Real quick, we're back to work helping the guys at the fire houses get better equipment to keep them safe out there. And as always, *helping families that have been burned out of their homes by providing them with food, shelter, and clothing*, really anything we can. And we're just calling to make sure that if we got you out a pledge card, these families and firefighters can count on you. Would that be ok?" **Exhibit 4.** (Emphasis added).

11. The Department of Attorney General followed up by contacting both World Assist and the Department of Defense to learn more about the blanket donation programs.

- a. World Assist confirmed that it received its blankets as a donation from the Department of Defense and that, over the years, it has donated 110,708 blankets to FSS. **Exhibit 5**, World Assist emails.
- b. Renee Fromberg of the Department of Defense’s Defense Logistics Agency (DLA) explained that the blanket program exists to combat homelessness. Each year Congress appropriates money to the program; DLA purchases the blankets, which are throwaway and cannot be washed, from a low-bidding blanket manufacturer; DLA distributes the blankets for free—including free shipment of the blankets anywhere in the United States—to endorsed charities that request the blankets. An “endorsed charity” is one that has received the endorsement of a representative of Congress. **Exhibit 6**, March 9, 2016 response and attachments from Renee Fromberg.
- c. DLA has donated 48,414 blankets to World Assist worth a total of \$240,752.80, which amounts to an average of \$4.97 per blanket—this price includes administration and transportation costs. **Exhibit 6**. The \$4.97 per blanket price quoted by the Department of Defense is less than one-quarter the \$20.83 per blanket valuation used by FSS on its Form 990s.

- d. Other sources confirm that FSS drastically overstated the value of its donated blankets. A Google search for “disaster blankets” produces as the first result the website of Northwest Wollen, www.Northwestwoolen.com/disaster.aspx. **Exhibit 7**, Google search of “disaster blankets” and Northwest Wollen website. At Northwest Woolen’s website, the “humanitarian” wool blanket, style #5309 is described as “Affordable and practical for **homeless shelters** and large-scale **disaster relief** efforts.” The price for a minimum order of 48 blankets is \$7.67. Buyers can request a quote for orders of 500 blankets or more, which presumably results in an even less expensive price per blanket.
- e. By using an inflated valuation of the donated blankets received from World Assist, FSS’s Form 990s overstates its charitable program services, thereby misleading the public regarding its activities and its effectiveness.

- 12. In February 2016, the Department of Attorney General issued investigative orders to FSS and ACS requesting additional documentation regarding FSS’s charitable programs and solicitation activities.
- 13. FSS responded to the Investigative Order. **Exhibit 8**, March 11, 2016 response and documentation. FSS supplemented its response on March 31, 2016. **Exhibit 9**, Supplemental Response. ACS responded through

counsel on April 8, 2016. **Exhibit 10**, Responses and solicitation materials.

- a. FSS's response asserted that the script it had previously provided to our office, which told call recipients that FSS helped "families that have been burned out of their homes *by providing them with food, shelter, and clothing*," was "erroneously provided," was "no longer in use," and had not been used "since at least August 2015 and possibly not at all." **Exhibit 8**, Response #1 (emphasis added).
- b. FSS produced in its response what it asserted to be the correct script, which told call recipients that FSS helped "families that have been burned out of their homes *by providing them with financial support*." **Exhibit 8**, attached script (emphasis added).
- c. ACS's response to the Investigative Order included all solicitation scripts it has used on behalf of FSS and also included pre-recorded audio used during these solicitations.
- d. ACS's response confirmed that its solicitations on behalf of FSS originally told call recipients that FSS was helping firefighters get better equipment and "helping families that have been burned out of their homes by providing them with food, shelter, and clothing, really anything we can." **Exhibit 10**. Later, ACS

used a modified script that told call recipients that FSS was helping firefighters get better equipment and “helping families that have been burned out of their homes by providing them with financial support[.]” *Id.*

14. The Attorney General’s review of FSS’s responsive documents

documenting its charitable programs confirm that FSS lacks any regular charitable program for helping families that have burned out of their homes.

- a. From July 1, 2013 through June 30, 2014 (the year reported on its 2013 Form 990), FSS identified no grants of food, shelter, clothing, or financial assistance to individuals or families that have been burned out of their homes. **Exhibit 8**, Responses #2 and 3.
- b. From July 1, 2014 through June 30, 2015 (the year reported on its 2014 Form 990), FSS identified one grant of \$585.06 to an individual for 2 weeks shelter at a hotel. FSS also identified grants of \$1,000, \$1,000, and \$3,000 to individuals as a “fire loss relief” donation.” **Exhibit 8**, Responses #2 and 3. Apart from these four grants of financial support, totaling \$5,585.06, no other grants to individuals or families were identified.
- c. FSS did identify additional charitable grants totaling \$55,000 to various burn camps in support of scholarships for children that

are burn victims, but these grants do not provide either “food, clothing, or shelter” or “financial support” to “families that have been burned out of their homes,” as represented in FSS’s solicitations.

15. FSS’s representation during its solicitations that it is “helping families that have been burned out of their homes” either by providing “food, shelter, or clothing,” or “financial support” is false. Hence, the Attorney General is bringing the present Notice of Intended Action and Cease and Desist Order to halt FSS’s ongoing false solicitation and to seek redress for FSS’s false statements regarding the valuations of its donated blankets and its other violations.

III. Law

16. Section 18 of the Charitable Organizations and Solicitations Act prohibits persons subject to the Act from engaging in a variety of acts. MCL 400.288.

17. Section 18(1)(j) prohibits a person subject to the Act from “[d]ivert[ing] or misdirect[ing] contributions to a purpose or organization other than that for which the funds were contributed or solicited.” MCL 400.288(1)(j).

18. Section 18(1)(n) prohibits a person subject to the Act from “[e]mploy[ing] any device, scheme, or artifice to defraud or obtain

money or property from a person by means of a false, deceptive, or misleading pretense, representation, or promise.” MCL 400.288(1)(n).

19. Section 18(1)(o) prohibits a person subject to the Act from

“[r]epresent[ing] that funds solicited will be used for a particular charitable purpose if those funds are not used for the represented purpose.” MCL 400.288(1)(o).

20. Section 18(1)(u)(ii) prohibits a person subject to the Act from

submitting to the Attorney General “[a] document containing any materially false statement.” MCL 400.288(1)(u)(ii).

21. Section 18(1)(y) prohibits a charitable organization from “submit[ting]

financial statements, including IRS form 990, 990-EZ, 990-PF, or other 990- series internal revenue service return, or any other financial report required under this act, that contain any misrepresentation with respect to the organization’s activities, operations, or use of charitable assets.”

IV. Alleged Violations

Count 1 – False and Misleading Solicitations - First Script

22. From December 2013 through August 2015, ACS used a script that

was approved by FSS to solicit on behalf of FSS that included the following statement: “Real quick, we’re back to work helping the guys at the fire houses get better equipment to keep them safe out there.

And as always, *helping families that have been burned out of their homes by providing them with food, shelter, and clothing*, really anything we can. And we're just calling to make sure that if we got you out a pledge card, these families and firefighters can count on you. Would that be ok?" **Exhibit 4**, script; **Exhibit 10**, ACS Responses 1.a and 1.b, and ACS_MI_002 and 003.

23. For the time period when it used this script, ACS has identified more than 1 million calls that it placed on behalf of FSS to residents of any state; roughly 30,000 of these calls were to Michigan residents.

Exhibit 10, ACS Responses 6.a. and b. and 9.a. and b. ACS estimates that it raised \$2.6 million nationwide for FSS using this script.

Exhibit 10, ACS Response 1.d. Solicitation calls to Michigan residents resulting in donations from this script numbered 8,218; resulting donations to residents of any state numbered 150,861. **Exhibit 10**, Responses 7.a. and b. and 10a. and b.

24. The Attorney General ordered FSS to identify all donations of food, shelter, and clothing it provided to families or individuals from July 1, 2013 through January 31, 2016. FSS's response identified no grants of food, shelter, or clothing to any families; FSS did identify one monetary grant of \$585.06 (from August 29, 2014) to an individual for two weeks shelter at a hotel. **Exhibit 8**, Response #2.

25. The Attorney General also ordered FSS to identify all donations to charities that provide food, shelter, and clothing to families or individuals that have been burned out of their homes. FSS did not identify any such grants. **Exhibit 8**, Response #5.

26. Because FSS did not provide food, shelter, or clothing to any families that had been burned out of their homes, every one of the 1 million solicitations it made using this script, including 30,000 solicitations to Michigan residents, was false, deceptive, or misleading and violated Subsections 18(1)(n) and 18(1)(o) of the Charitable Organizations and Solicitations Act. Likewise, all \$2.6 million FSS raised using this script was raised based on the misrepresentation, deception, and false statement that FSS provided food, shelter, or clothing to families that had burned out of their homes.

Count 2 – False and Misleading Solicitations - Both Scripts

27. From December 2013 through August 2015, ACS's solicitations on behalf of FSS informed call recipients that FSS was "helping families that have been burned out of their homes *by providing them with food, shelter, and clothing.*" **Exhibit 4**, script (emphasis added). Thereafter, from August 2015 through the present, ACS's solicitations on behalf of FSS have informed call recipients that FSS was "helping families that have been burned out of their homes *by providing them with financial support.*" **Exhibit 10** (emphasis added),

ACS_MI_0012; see also **Exhibit 10**, ACS_MI_008, ACS_MI_0013, ACS_MI_0015, and ACS_MI_0016 (these pages of scripts include variations of the above wording).

28. During the period from December 2013 through January 31, 2016, ACS has identified the following solicitation calls it made on behalf of FSS: 2,008,810 calls from Michigan to residents of any state; 49,791 solicitation calls to Michigan residents. **Exhibit 10**, Responses 6 and 9. Total calls resulting in donations numbered 219,562; calls to Michigan residents resulting in donations numbered 10,718. **Exhibit 10**, Responses 7 and 10.

29. During the period from December 2013 through January 31, 2016, FSS raised a total of \$4,179,500.90, including \$197,505.66 from Michigan residents. **Exhibit 10**, Responses 8 and 11.

30. From July 1, 2013 through January 31, 2016, FSS identified three instances where it provided monetary assistance to individuals as a “fire loss relief donation,” totaling \$5,000. **Exhibit 8**, Response #3.

- a. August 29, 2014 – \$1,000 to Mr. Allen Sutherland, Pasadena, Texas.
- b. March 16, 2015 – \$1,000 to Ms. Linda Upleger, Romulus, Michigan.
- c. February 1, 2016 – \$3,000 to Ms. Amber Damrell, Aberdeen, North Carolina.

On August 29, 2014, FSS also provided \$585.06 to Mr. Allen Sutherland of Pasadena, Texas for shelter at a hotel. **Exhibit 8**, Response #2. Thus, FSS's financial support to families or individuals during this period totaled \$5,585.06.

31. In addition to its grants of monetary assistance to individuals, FSS identified \$55,000 in grants (from June 2014 through December 2015) to various burn camps to sponsor children. While these grants were for charitable purposes, they do not constitute grants to families that had been burned out of their homes, nor are they grants of "food, shelter, and clothing" or "financial assistance" to such families.

32. From July 1, 2013 through January 31, 2016, FSS raised \$4,179,500 nationwide through its professional fundraiser ACS. **Exhibit 10**, Response #1.d. Thus, financial support to individuals or families (\$585.06) divided by the total raised (\$4,179,500) equals .134%. In other words, *one-tenth* of 1 percent of the money raised by FSS provided financial assistance to families or individuals that had been burned out of their homes. Put another way, out of a \$10.00 donation, one penny went to financial assistance for families or individuals that had been burned out of their homes; for a \$100 donation, 10 pennies.

33. Because FSS provided no food, shelter, or clothing to families that had been burned out of their homes and only provided *de minimis* financial support to such families, every one of FSS's 2,008,810 solicitations

from July 1, 2013 through January 31, 2016, including 49,791 to Michigan residents, was false, deceptive, or misleading and violated Subsections 18(1)(n) and 18(1)(o) of the Charitable Organizations and Solicitations Act. Likewise, all \$4,179,500 raised by FSS as a result of these solicitations, including \$197,505.66 from Michigan residents, was raised based on these misrepresentations, deceptions, and false statements.

Count 3 – Additional False and Misleading Statements in Scripts

34. In response to the Attorney General’s Investigative Order, ACS has produced all solicitation scripts that it has used on behalf of FSS since July 1, 2013. **Exhibit 10**, ACS_MI_001 to ACS_MI_017. These scripts contain false and misleading statements in addition to those alleged in counts 1 and 2, including:

35. Other statements from the script include:

- a. “Something as small as \$20 could really go a long way.” **Exhibit 10**, ACS_MI_002 and 003.
- b. “OK, I do understand what you’re saying, but please keep in mind that some of these families have nowhere to turn and really need our help. Now our small pledge, its only \$10, and it could help put a roof over their heads.” **Exhibit 10**, ACS_MI_002 and 003.

- c. “Oh great, that’s really going to go a long way for our firefighters . . .” **Exhibit 10**, ACS_MI_004.
- d. “What is ACS Services? We’re Associated Community Services, a professional fundraiser calling on behalf of the Firefighters Support Services. The programs help out families that have lost their homes in a fire. They provide support and shelter to help get them back on their feet, as well as supplying the firemen with upgraded equipment to help keep them safe.” **Exhibit 10**, ACS_MI_004.
- e. “What does the Firefighters Support Services do? The Firefighters Support Services is a charity that helps families who’ve lost their home in a fire. They help them get back on their feet by providing assistance such as food, shelter, and clothing, as well as helping firemen get upgraded equipment and fire locators to keep them safe as well.” **Exhibit 10**, ACS_MI_004.
- f. “I already sent a donation to this charity. I know it gets confusing because there are a few different firefighters programs out there, but you haven’t helped us out in the past. This is to help families whose homes were burned down in a fire and have nowhere to turn for help. Something small like \$20 really does

go a long way to help for these programs” **Exhibit 10**, ACS_MI_006.

g. Other pages in the script make similar representation, that the pledge would “go a long way” and would help “families that have been burned out of their homes” and that have “nowhere to turn.” **Exhibit 10**, ACS_MI_001 to ACS_MI_017.

36. In fact, donations to FSS do not “go a long way,” with 83% going to the professional fundraiser ACS; nor do donations to FSS help families that have been burned out of their homes. These additional misleading, deceptive, and false statements in FSS’s scripts violate Subsections 18(1)(n) and 18(1)(o) of the Charitable Organizations and Solicitations Act.

Count 4 - Diversion of Charitable Funds

37. During the period from December 2013 through January 31, 2016, FSS raised a total of \$4,179,500.90, including \$197,505.66 from Michigan residents. **Exhibit 10**, Responses 8 and 11.

38. From December 2013 through January 31, 2016, FSS’s solicitations informed donors that FSS had two purposes: (1) helping firefighters get better equipment, and (2) helping families that had been burned out of their homes by providing food, shelter, or clothing or monetary assistance. **Exhibit 10**, Response 2.

- a. In helping firefighters get better equipment, FSS spent \$51,497 of contributions to purchase thermal imaging cameras, which it donated to various fire departments. **Exhibit 9**, Response 20.
 - b. In support of families that had been burned out of their homes, FSS made monetary grants of \$5,585.06 to individuals who had suffered a loss as a result of fire. **Exhibit 8**, Responses 2 and 3.
39. From December 2013 through January 31, 2016, FSS granted \$55,000 to various burn camps in support of scholarships for children that had been in fires. **Exhibit 8**, Response 3. None of FSS's solicitations during this period advised donors of this activity.
40. From December 2013 through January 31, 2016, FSS spent \$171,655 on shipping emergency blankets to various fire departments around the country. **Exhibit 9**, Response 22. None of FSS's solicitations during this period advised donors of this activity. Moreover, it's doubtful that FSS's blanket donation program is a legitimate charitable activity as the taxpayer, through the Department of Defense, had already paid both for the blankets and the transportation of these blankets to combat homelessness.
41. In spending \$226,655 of charitable contributions for purposes that were not indicated to the donors diverted or misdirected contributions to a purpose other than that for which the funds were donated in

violation of Subsection 18(1)(j) of the Charitable Organizations and Solicitations Act.

Count 5 – Overvaluation of Blankets

42. FSS's 2014 IRS Form 990 (reporting on July 1, 2014 through June 30, 2015) reported \$2,052,390 in contributions, including \$414,785 of in-kind contributions, i.e., non-cash contributions. **Exhibit 1**, 2014 Form 990, Page 9.

43. The 2014 Form 990 reported a charitable program with grants of \$532,437 for providing “firefighting equipment and emergency medical blankets to various fire departments.” **Exhibit 1**, 2014 Form 990, p. 2.

c. Of the \$532,437 in non-cash grants, \$465,653 represented four large donations of EMS blankets, with three shipments to the San Francisco Fire Department and the fourth to the Detroit Fire Department. **Exhibit 1**, 2014 Form 990, Schedule I.

d. The \$465,653 value of the blanket donation includes FSS's reported \$414,785 value of the blankets and \$50,868 in shipping costs. **Exhibit 3**, Response 2.e. See also **Exhibit 9**, Response 22.b (reporting \$50,515 in shipping costs).

44. In support of the \$414,785 valuation of these blankets, FSS (through its law firm) explained that FSS receives the donated blankets from the charity World Assist, which itself receives the blankets from the

United States Department of Defense. **Exhibit 3**, Jan. 26, 2016 Letter from Martin McCarthy.

- e. FSS uses a third party, Charity Services International, to assist with the valuation of the donated blankets, which it valued at \$20.83 per blanket.
- f. FSS's response included representative samples showing individual emergency blankets sold at four online retailers, including Amazon.com, at prices between \$19.88 and \$22.49, averaging to \$20.83.
- g. In this way, FSS obtained a valuation for its four shipments of blankets at \$103,983.36 (4,992 blankets x \$20.83), \$103,983.36 (4,992 blankets x \$20.83), \$99,984.00 (4,800 blankets x \$20.83), and \$95,984.64 (4,608 blankets x \$20.83). **Exhibit 3**; See also **Exhibit 9**, Response 21.b.

45. FSS's 2013 Form 990 reported a charitable program with grants of \$610,014 for providing "locator/tracking equipment and medical supplies to various fire departments." **Exhibit 11**, 2013 Form 990, Page 2, line 4b.

- h. Of the \$610,014 in non-cash grants, \$584,365 represented five large donations of EMS blankets, with three shipments to the San Francisco Fire Department, one to the Chicago Fire

Department, and the other to the Lansing Fire Department.

Exhibit 11, 2013 Form 990, Schedule I.

- i. The \$584,365 value of the blanket donation reported on Schedule I includes \$61,840 in shipping costs and thus leaves the reported value of the blankets themselves as \$522,525.

Exhibit 11, Page 9, line 1g. **Exhibit 9**, Responses 21.a and 22.b.

46. In support of the \$524,017 valuation of these blankets, as it did with the blankets reported on its 2014 Form 990, FSS used Charity Services International's valuation of \$20.83 per blanket. **Exhibit 9**, Response 21.a.

- j. In this way, FSS obtained a valuation for its five shipments of blankets at \$103,983.36 (4,992 blankets x \$20.83), \$103,983.36 (4,992 blankets x \$20.83), \$102,650.24 (4,928 blankets x \$20.83), 103983.36 (4,992 blankets x \$20.83), and \$95,984.64 (4,608 blankets x \$20.83). **Exhibit 9**, Response 23.a. and enclosures. According to these valuations, the value of the five shipments totaled \$510,584.96.

47. The \$20.83 per blanket value used by FSS in reporting the value of the blankets to the Attorney General on its 2013 and 2014 IRS Form 990s is excessive.

48. The Department of Defense's Defense Logistics Agency (DLA) runs the Congressionally-mandated blanket donation program to combat homelessness. Each year Congress appropriates money to the program; DLA purchases the blankets, which are throwaway and cannot be washed, from a low-bidding blanket manufacturer; DLA distributes the blankets for free—including free shipment of the blankets anywhere in the United States—to endorsed charities that request the blankets. An “endorsed charity” is one that has received the endorsement of a representative of Congress. **Exhibit 6**, March 9, 2016 response and attachments from Renee Fromberg.

49. DLA has donated 48,414 blankets¹ to World Assist worth a total of \$240,752.80, which amounts to an average of \$4.97 per blanket—this price includes administration and transportation costs. **Exhibit 6**. The \$4.97 per blanket price quoted by DLA is less than one-quarter the \$20.83 per blanket valuation used by FSS on its Form 990s.

50. Other sources confirm that FSS drastically overstated the value of its donated blankets. A Google search for “disaster blankets” produces as the first result the website of Northwest Wollen,

www.Northwestwoolen.com/disaster.aspx. **Exhibit 7**, Google search of

¹ World Assist has informed the Attorney General that it has donated 110,708 blankets to FSS and that all of its blankets came from DLA. **Exhibit 5**. This total of blankets is more than double that which the DLA informed the Attorney General that it donated to World Assist. This raises the possibility that FSS is not only overvaluing the blankets, but falsely reporting the total number of blankets reported. Additional discovery is needed on this issue.

“disaster blankets” and Northwest Wollen website. At Northwest Woolen’s website, the “humanitarian” wool blanket, style #5309 is described as “Affordable and practical for **homeless shelters** and large-scale **disaster relief** efforts.” The price for a minimum order of 48 blankets is \$7.67. Buyers can request a quote for orders of 500 blankets or more. The Attorney General’s Charitable Trust Section Auditor requested a quote for 5,000 blankets; Northwest Woolen’s quote was \$6.25 per blanket.

51. By using an inflated valuation of the donated blankets received from World Assist, FSS’s 2013 and 2014 Form 990s overstate its charitable program services by roughly four times, thereby misleading the public regarding its activities and its effectiveness.
52. In overvaluing the value of the blankets on its 2013 and 2014 Form 990s and submitting these Form 990s to the Attorney General, FSS submitted to the Attorney General a document containing material false statements in violation of Section 18(1)(u)(ii) of the Charitable Organizations and Solicitations Act.
53. In overvaluing the blankets on its Form 990s, FSS also violated Section 18(1)(y) of the Act, which prohibits submitting Form 990s containing any misrepresentation of the organization’s activities operations, or use of charitable assets.

- k. FSS's 2014 Form 990 misrepresented that it had \$573,523 in charitable programs, including \$414,785 (at \$20.83 per blanket) in blanket donations. At the DLA's \$4.97 per blanket price (a price which included transportation and administrative costs) for 19,393 donated blankets, the fair market value of the donated blankets should have been \$96,378.24. Using this value, the value of FSS's charitable programs would have halved to \$255,116.
- l. FSS's 2013 Form 990 misrepresented that it had \$620,014 in charitable programs, including \$522,525 (at \$20.83 per blanket) in blanket donations. At the DLA's \$4.97 per blanket price (a price which included transportation and administrative costs) for 24,512 donated blankets, the fair market value of the donated blankets should have been \$121,825. Using this value FSS's charitable programs would have diminished by nearly two-thirds from \$620,014 to \$219,314.

Count 6 – False Statements on Form 990s and AG Renewal Form

54. FSS's 2013 and 2014 Form 990s and 2015 Attorney General Renewal Form contain false statements.
55. The Attorney General Renewal Form submitted in November 2015 states that FSS "[p]rovided locator/tracking equipment and medical

supplies to various fire departments.” **Exhibit 1**, AG Renewal Form, attached response to question 11.

56. FSS’s 2013 Form 990, in describing its program service accounting for \$610,014 of FSS’s \$620,014 charitable program services for that year, stated that it “[p]rovided locator/tracking equipment and medical supplies to various fire departments.” **Exhibit 11**, Page 2, line 4b.

57. The Attorney General asked FSS to identify all medical supplies it provided corresponding to the reporting period for the 2013 Form 990 (July 1, 2013 through June 30, 2014) and the 2015 AG Renewal Form (July 1, 2014 through June 30, 2014). In response, FSS identified its shipments to various fire departments of blankets purchased by the DLA as part of Congress’s program to combat homelessness.

m. FSS also responded: “At some point the auditors, in collaboration with FSS, determined that emergency blankets qualified as medical supplies for reporting purposes under the instructions for the IRS Form 990. FSS is continually evaluating all aspects of their reporting and will discuss this determination with its accountants for upcoming reporting periods.” **Exhibit 9**, Response 21.

58. Blankets used to combat homelessness are not medical supplies. FSS’s reports of providing medical supplies on its 2013 Form 990 and November 2015 Attorney General Renewal Form were material false

statements in violation of Section 18(1)(u)(ii) of the Charitable Organizations and Solicitations Act.

V. Attorney General's Authority

59. Section 20 of the Charitable Organizations and Solicitations Act specifies the Attorney General's authority to redress violations of the Act, including:

- a. Issuing a Notice of Intended Action, MCL 400.290(4);
- b. Issuing a Cease and Desist Order, MCL 400.290(4);
- c. Bringing a civil action in court with a fine of up to \$10,000 ***per violation***, MCL 400.290(1);
- d. Accepting an Assurance of Discontinuance, MCL 400.290(4); and
- e. Requesting injunctive relief, attorney fees and costs, and restitution, MCL 400.290(1).

60. Section 20 also allows the Attorney General to proceed against individual officers, directors, shareholders, or controlling members of FSS. MCL 400.290(1).

VI. Cease and Desist Order

61. The Attorney General HEREBY ORDERS Firefighters Support Services, its professional fundraiser Associated Community Services, and its directors, employees and other agents to CEASE and DESIST from making any solicitation calls that falsely inform call recipients

either that Firefighters Support Services provides food, shelter, clothing, or financial support to families that have been burned out of their homes, or that Firefighters Support Services provides medical supplies to fire departments. The Attorney General also HEREBY ORDERS Firefighters Support Services, its professional fundraiser Associated Community Services, and its directors employees and other agents to CEASE and DESIST all Michigan solicitations—whether to Michigan residents or from Michigan—until Firefighters Support Services has amended its 2014 IRS Form 990 to correct all false statements.

62. Violations of this order may result in civil fines.

VII. Opportunity to Respond or to Confer with the Attorney General

63. Within twenty-one (21) days of receiving this Notice, Firefighters Support Services has the opportunity to respond or to confer with the undersigned Assistant Attorney General with the aim of reaching an appropriate assurance of discontinuance.

64. If no satisfactory resolution is reached during this period, the Attorney General intends to bring a civil action against Firefighters Support Services in Ingham County Circuit Court; the Attorney General will request restitution, civil fines, costs and attorney fees, and injunctive relief.

BILL SCHUETTE
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