



NEW HAMPSHIRE

Department of Justice

Office of the Attorney General

Preliminary Report on Project VetCare, Inc.

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Introduction

The Charitable Trusts Unit opened an investigation in March, 2016 into the use of funds at Project VetCare, Inc. (PVC), a New Hampshire charitable organization formed to provide assistance to veterans. Following that investigation, the Director of Charitable Trusts (Director) on June 15, 2016 filed a civil complaint to remove the executive director and the board of directors. The court made preliminary orders on that date removing the directors and appointing John A. Gilbert as receiver of PVC.

Since then, Mr. Gilbert and the Charitable Trusts Unit have continued their investigations. The Court later agreed with the receiver's recommendation to liquidate the organization, and that process is ongoing. Meanwhile the Director has reached monetary settlements with certain former directors and with the executive director, with the funds directed to PVC.

It is expected that the receiver will complete his work within the next few months after collecting the remaining assets of PVC and winding down its affairs. The Director and the receiver then plan to seek proposals from charitable organizations to provide services to veterans in the Upper Valley. They will recommend to the Court that the receiver distribute the remaining balance of funds at PVC to one of those organizations.

Authority of the Attorney General

The Attorney General has supervisory authority over charitable organizations and funds donated for charitable purposes. That authority is exercised through the Director of Charitable Trusts. RSA 7:20. Charitable organizations are required to register and to report annually to the Charitable Trusts Unit of the Attorney General's Office. RSA 7:19, I; 7:28, II. Those reports include financial statements disclosing the activities of the organization.

In addition, the Director of Charitable Trusts has the authority to investigate charitable organizations. RSA 7:24. If required, the Director may bring an action in court seeking a judgment to remove directors, to require restitution on behalf of the organization and to obtain other relief. RSA 7:28-f, II(d).

Duties of Directors of Charitable Organization

Charitable organizations that operate in the form of a corporation, like PVC, are governed by a board of directors. Once elected to serve, directors are bound by fiduciary duties to the organization. These obligations are known as the duty of loyalty, the duty of care and the duty of obedience.

The **duty of loyalty** means directors must act with undivided loyalty and in the best interests of the organization. They may not seek to derive personal gain from its property or transactions. In the event there is a conflict-of-interest between the best interests of the charity and a director's interest, New Hampshire law has a process to

resolve this conflict. That law, RSA 7:19-a, regulates conflict of interest transactions, known as pecuniary benefit transactions. Acts of self-dealing are a breach of the fiduciary duty directors owe the organization.

The **duty of care** means directors must act reasonably (i.e. as a prudent person in similar circumstances would act), be familiar with the organization's activities and financial condition, and participate regularly in board meetings. It also means directors must act in good faith and make informed decisions. It is the board's responsibility to oversee the work of the executive director and to ensure the charity is faithfully carrying out its charitable purpose without extravagance or waste.

The **duty of obedience** means directors must be assured that the organization complies with any restrictions placed on funds received from donors or from government grants. Those funds must be accounted for separately. The duty of obedience also requires directors to make sure that the organization follows its stated charitable purpose and does not veer off toward an unrelated mission.

Project VetCare's Activities

PVC is a charitable organization that provided services to veterans in the Upper Valley. It was formed in 2012 and registered with the Charitable Trusts Unit in 2013.

The organization owned a house at 80 Lebanon Street in Hanover that provided housing and a meeting place for students at Dartmouth College who are veterans. PVC also owned a house at 273 Heater Road in Lebanon and rented office space at 35 South Main Street in Hanover.

PVC provided emergency service to veterans by operating a food pantry, purchasing goods, making grants and issuing loans. It also was active in assisting veterans filing disability claims. One of its directors was an "accredited claims agent" authorized to act on behalf of veterans before the Department of Veterans Affairs.

PVC offered social events for veterans and conducted fundraising benefits that involved students at Dartmouth College and other local groups. It connected veterans with students in symposiums at Hanover High School.

Perhaps PVC's greatest strength was its fundraising ability. Veteran's causes are popular and appeals to help those who served in the military are often successful. Over the years, PVC raised well over \$1 million from various sources. The largest donor by far was the Jack and Dorothy Byrne Foundation, a Hanover based private foundation. The Byrne Foundation donated more than \$800,000 over several years, with more than half of it allocated for the purchase of the house in Hanover. There were at least two other major donors. In addition, students at the Tuck School of Dartmouth College contributed to PVC the proceeds from an annual race. A number of individual donors also contributed smaller amounts.

Danielle Goodwin and Robert L. Chambers have been associated with PVC since its inception. As of 2016, the board of directors consisted of Mr. Chambers, chair, Danielle Goodwin, executive director, Gavin Goodwin, Dana Pirovane, Mark Parton, John Donovan and Andrew Steele.

Initial Investigation of Project VetCare

In March 2016, the Charitable Trusts Unit received information about oil deliveries and repairs to the home of PVC directors Danielle Goodwin and Gavin Goodwin at 4 Kingsford Road in Hanover. Gavin Goodwin owns that property. The allegation was that Project VetCare had paid for the oil and the repairs.

The Charitable Trusts Unit obtained copies of invoices showing that Dickinson & Son, Inc. provided \$2,797.17 of heating system repairs to that residence between October 20, 2014 and February 25, 2016. Irving Energy, Inc. provided \$24,641.11 of heating system installation and oil and propane deliveries to that residence between December 12, 2014 and February 22, 2016. PVC paid all of those invoices.

At a meeting in the Attorney General's office on May 9, 2016, the Charitable Trusts Unit disclosed this information to Mr. Chambers, chair of the PVC board of directors, and asked that the directors take action. Subsequent telephone conversations with Mr. Chambers and three other directors on May 16 and 18, 2016 revealed their discovery that Danielle Goodwin had purchased tickets for a Florida vacation trip on Royal Caribbean Cruise Lines using PVC funds.

The board of directors then met on May 19, 2016. They considered the request of the Director that the organization hire legal counsel and an accountant to investigate Danielle Goodwin's transactions with the organization. They also considered the request of the Director to place Danielle Goodwin on leave pending the investigation. A majority of the board voted against the proposals, specifically Mr. Chambers, Danielle Goodwin, Gavin Goodwin and Mr. Pirovane. Voting in favor of an investigation were Mr. Donovan, Mr. Steele and Mr. Parton.

At that same meeting, Danielle Goodwin revealed to the directors that she had taken "stipends" in lieu of salary from PVC. She also stated that PVC had made loans to two directors and a car loan of \$15,000 to a staff member, Mindy Bergman. It came out also that the daughter of Mr. Chambers had been receiving payment from PVC for helping the organization with its fundraising. None of these conflict-of-interest transactions had been approved by a vote of the board of directors, as required by RSA 7:19-b.

The next day, the dissenting directors, Messrs. Donovan, Steele and Parton, resigned from the board of PVC. Their decision was principled and courageous. They also fully cooperated with the investigation.

The Court Complaint and Appointment of a Receiver

Since the majority of the directors refused to conduct an outside investigation of Danielle Goodwin's activities at PVC, the Director brought suit in Grafton County Superior Court on June 15, 2016 (No. 215-2016-CV-00154). That same day, the Court granted the Director's request to remove Danielle Goodwin, Gavin Goodwin, Mr. Chambers and Mr. Pirovane as directors. The Court also appointed John A. Gilbert of Exeter to serve as the receiver of PVC. Mr. Gilbert is a business consultant with extensive nonprofit experience. He is also a military veteran.

Immediately, Mr. Gilbert took over the operations of PVC. He kept on an office employee. He reached out to veterans receiving services from PVC. He spoke with the organization's largest contributors and its business contacts. Most importantly, he retained Jay Simms, CPA, to conduct a review of the finances of PVC.

Subsequent Investigation of Project VetCare

Mr. Gilbert, with the assistance of Mr. Simms, reviewed the accounting and bank records of PVC. In general, the records had been poorly kept. There was limited documentation of cash assistance made to veterans, including loans. Danielle Goodwin and others frequently used a debit card that had been issued on a bank account of PVC. The organization kept no receipts to justify the business purposes of debit card expenditures.

What records did exist revealed an astonishing range of expenditures using PVC funds, many apparently for personal use. They included the following:

- Irving Oil payments related to 4 Kingsford Road, owned by Gavin Goodwin
- Dickinson & Sons payments related to 4 Kingsford Road
- Royal Caribbean Cruise payments for Danielle Goodwin and her daughter
- Stipend payments made to the son and daughter of Danielle Goodwin
- Loan payments made to the son of Danielle Goodwin
- Legal fee payments related to purchase of 4 Kingsford Road
- Household and medical expenses related to the son of Danielle Goodwin
- Stipend payments in the amount of \$6,377 paid to daughter of Mr. Chambers
- Loan to Mr. Pirovane of \$2,107
- Loan to Gavin Goodwin of \$47,174.65 – disbursement amount not documented
- PVC debit card charges of \$295,528 – purposes not determined

Monetary Settlements with Defendants

The court complaint sought restitution for PVC from the directors who had received payments from PVC contrary to their duty of loyalty and contrary to the pecuniary benefit transaction requirements of RSA 7:19-a. Based upon the investigation conducted by Mr. Gilbert and Mr. Simms, the Director sought varying restitution

amounts from those directors. The Director also considered each of the defendants' ability to pay a judgment. With respect to Danielle Goodwin, the Director received a financial affidavit.

The Director also negotiated for repayment of the auto loan extended to PVC former employee Mindy Bergman.

Eventually, the Director reached settlements with each of the individual defendants as follows:

- Mindy Bergman - \$10,000. Paid in full.
- Dana Pirovane - \$1,054. Paid in full.
- Gavin Goodwin - \$30,000. \$16,699.32 paid to date; balance payable monthly.
- Robert Chambers - \$11,500. Paid in full.
- Danielle Goodwin - \$90,000. Payable on sale of 4 Kingsford Road. House under contract.

All of the amounts collected have been paid over to PVC. No amount has been retained by the Charitable Trusts Unit as a penalty for violation of the laws governing charitable organizations.

Winding Up of Project VetCare

In addition to investigating the use of PVC funds, Mr. Gilbert also explored the potential for the organization to re-emerge as a viable nonprofit. He spoke with representatives of the Byrne Foundation and other donors. He contacted other charitable organizations that assist veterans. He consulted with state and federal officials who work with veterans.

Mr. Gilbert's conclusion was that PVC could not survive. The organization was heavily dependent upon the support of relatively few large donors. The goodwill of those donors had been exploited and they could not be counted on for future support. In the absence of those large donors, the revenue stream into PVC was quite small and insufficient to support its debt obligations. He also concluded that, with the exception of dedicated housing for veterans attending college, other organizations in the Upper Valley could provide similar services for veterans. As to housing, Mr. Gilbert found that financial and other housing support was available for veterans receiving higher education in the area.

With the court's approval, Mr. Gilbert began the process of winding up the affairs of PVC. He contacted veterans who had received benefit application assistance and returned their files. He closed down its Hanover office in November, 2016 and terminated the remaining staff. He retained a real estate agent to assist with the sale of the Hanover and Lebanon houses owned by PVC. Once the properties were sold, Mr. Gilbert paid off the mortgage balances and deposited the remaining proceeds in PVC's bank account.

At this point, Mr. Gilbert is attempting to reconcile the accounts of PVC so that Mr. Simms can file a final Form 990 with the Internal Revenue Service. This process may lead to amendments to Form 990s filed by PVC in previous years.

Distribution of Remaining Assets

When Mr. Gilbert completes his financial analysis of PVC, he will work with the Director to reach out to charitable organizations serving veterans in the Upper Valley. They will request proposals from interested organizations as to how they might use the remaining funds held by PVC, estimated to exceed \$200,000.

After reviewing those proposals, the Director and Mr. Gilbert will make a recommendation to the court for the distribution of the remaining assets of PVC. Once the court acts on that recommendation, the funds can be distributed. At that point, PVC will be dissolved.

Conclusion

Danielle Goodwin, the former executive director of PVC, used the bank account of this veterans support organization as her own. She took PVC money to pay for her personal and household expenses, vacation trips and gifts for her children. The directors of PVC apparently did not know about her activity until the spring of 2016. At that point, instead of taking action, a majority of the board voted against conducting a proper investigation of Danielle Goodwin.

By deciding not to inquire into Danielle Goodwin's use of funds, Gavin Goodwin, Mr. Chambers and Mr. Pirovane violated their duty of care to PVC. Especially with a charitable organization's money, directors are required to be diligent. They should create policies to require effective internal controls over the use of funds. These controls may require separating the tasks for the handling of finances and reconciling of bank statements, restricting credit and debit card usage, protecting cash and regularly reviewing financial statements and expenditures. These controls were sorely absent at PVC.

The breach of the duty of care by Gavin Goodwin, Mr. Chambers and Mr. Pirovane was compounded by their breach of loyalty to the organization. All three engaged in conflict of interest transactions with PVC by receiving financial benefits. Such dealings are strictly regulated in New Hampshire. RSA 7:19-a. There should have been votes by a two-thirds majority of disinterested directors to consider the appropriateness of these transactions. There was not. Moreover, loans to directors are strictly forbidden by that statute.

Since Danielle Goodwin served as a voting director of PVC, as well as its executive director, she too was bound by the conflict of interest requirements of RSA 7:19-a. While the salary of an executive director is not considered to be a pecuniary

benefit, any other value received, whether it be for payment of home or personal expenses or for payments to her children, requires disclosure and a two-thirds majority vote of disinterested directors. Again, there was not.

Veterans deserve our respect and support. Organizations serving veterans cannot fulfill their purpose unless directors and officers fully comply with their duties. The Attorney General through the Charitable Trusts Unit closely monitors veterans charities to make sure that they are properly performing their vitally important missions.

The Charitable Trusts Unit offers a number of resources for charitable organizations and their directors. They may be found on its website: www.doj.nh.gov/charitable-trusts or by contacting the Charitable Trusts Unit via telephone (603)-271-3591 or email charitabletrusts2@doj.nh.gov.

There are many other resources available to charitable organizations, including the New Hampshire Center for Nonprofits, www.nhnonprofits.org.