SANTA FE – New Mexico Attorney General Hector Balderas joined with the U.S. Federal Trade Commission, all 50 States and the District of Columbia in a complaint charging four sham cancer charities and their operators with bilking more than $187 million from consumers.

The defendants told donors their money would help cancer patients, including children and also women suffering from breast cancer, but the overwhelming majority of donations benefitted only the perpetrators, their families, friends, and fundraisers.

“Our office works diligently to protect New Mexicans from scammers and fraudsters, but this case is repulsive. We must support legitimate charities and stamp out fraudulent behavior,” Attorney General Balderas said. “We must ensure that donations go to those in need and attack scammers that misuse funds on luxury items.”

Named in the federal court complaint are defendants Cancer Fund of America (CFA), Cancer Support Services (CSS), The Children’s Cancer Fund of America (CCFOA) and The Breast Cancer Society (BCS) as well as individuals James Reynolds, Sr., James Reynolds, II., Rose Perkins (ex-wife of Reynolds, Sr.) and Kyle Effler. The Children’s Cancer Fund of America and the Breast Cancer Society as well as their associated individuals, James Reynolds, II., and Rose Perkins have agreed to settle the charges against them. Kyle Effler also agreed to settlement. Under the proposed settlement orders, the individuals will be banned from fundraising, charity management, and oversight of charitable assets, and the corporations they led will be dissolved. Litigation will continue against Cancer Fund of America, Cancer Support Services and James Reynolds, Sr.

According to the complaint, the defendants used telemarketing calls, direct mail, websites, and materials distributed by the Combined Federal Campaign, which raises money from federal employees for non-profit organizations, to portray themselves as legitimate charities with substantial programs that provided direct support to cancer patients in the United States, such as providing patients with pain medication, transportation to chemotherapy, and hospice care. In fact, the complaint alleges that these claims were deceptive and that the charities “operated as personal fiefdoms characterized by rampant nepotism, flagrant conflicts of interest, and excessive insider compensation, with none of the financial and governance controls that any bona fide charity would have adopted.”

Also according to the complaint, the defendants used the organizations for lucrative employment for family members and friends, and spent consumer donations on cars, trips, luxury cruises, college tuition, gym memberships, jet ski outings, sporting event and concert tickets, and dating site memberships. They hired professional fundraisers who often received 85 percent or more of every donation.

The complaint alleges that, to hide their high administrative and fundraising costs from donors and regulators, the defendants falsely inflated their revenues by reporting in publicly filed financial documents over $223 million in donated “gifts in kind” which they claimed to distribute to international recipients. In fact, the defendants were merely pass-through agents for such goods. By reporting the inflated “gift in kind” donations, defendants created the illusion that they were larger and more efficient with donors’ dollars than they actually were. Thirty-six states alleged that the defendants filed false and misleading financial statements with state charities regulators.

In addition, the FTC and 36 states charged Cancer Fund of America, Children’s Cancer Fund of America and The Breast Cancer Society with providing professional fundraisers with deceptive fundraising materials. The FTC and the states further charged the same defendants with violating the FTC’s Telemarketing Sales Rule (TSR), CFA, CCFOA and BCS with assisting and facilitating in TSR violations, and Cancer Support Services with making deceptive charitable solicitations.