United States Senate
WASHINGTON, DC 20510

March 10, 2010

Robert J. Bach, Chairman
Board of Governors
Boys & Girls Clubs of America

Dear Mr. Bach:

Throughout the United States, Boys & Girls Clubs are valued for their work with young people. Congress recognized this by agreeing to provide millions of dollars to help the Boys & Girls Clubs of America ("BGCA") establish new clubs. The original authorizing statute, enacted in 1996,[1] authorized $20 million per year from 1997-2001. In its initial authorization, the law's stated purpose was to provide adequate resources in the form of "seed money" to establish 1,000 additional clubs and to ensure no fewer than 2,500 Club facilities by the end of 1999.[2] That authorization required the BGCA to apply for the authorized grant money and to supply a strategy for reaching the bill's goals, ***including an explanation of "the manner in which the new facilities will operate without additional, direct Federal financial assistance to the Boys & Girls Clubs once assistance under this subsection is discontinued."***[3]

While we recognize and appreciate the initiatives of the Boys & Girls Clubs, we strongly believe it is our role, as members of the U.S. Senate Judiciary Committee ("Committee"), to closely scrutinize any bill within our jurisdiction that authorizes the allocation of taxpayer dollars.

As you may be aware, during the Committee's Executive Business Meeting on January 28, 2010, the Committee favorably reported, with a 17-2 vote, S. 2924, *The Boys & Girls Clubs Centennial Reauthorization Act of 2009*. However, before the vote, several questions were raised about the federal funding, expenses, and activities of BGCA. Specifically, questions were raised about: the sizable increase in annual authorizations since 1996, the change in purpose of federal funds, executive compensation, and lobbying expenses. A transcript of the relevant portion of this meeting is enclosed.

In response to these questions, the BGCA, Office of Government Relations, provided the attached document titled *Response to Key Issues Raised on January 28, 2010* ("Response"). This document, along with our staff's review of the BGCA's 2008 federal tax filing, Form 990, *Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Return*, has raised further questions and concerns.

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[1] P.L. 104-294
[2] P.L. 105-133
[3] Id.

Even though it appears from the Response that BGCA has been using federal funds primarily for ongoing operational expenses, initial federal support for BGCA was not intended principally for this purpose; it was to provide seed money to start new clubs in those neighborhoods that needed its programs the most. S.2924 changes Congress' original intent—providing initial seed money—to providing a perpetual source of funds to sustain the Boys and Girls Clubs. If authorized and appropriated, S.2924 will provide $425 million of taxpayers' money for BGCA over a five-year period, without competition. At the same time, S.2924 removes the original congressional requirement that the BGCA must extend services and open clubs for America's youth residing in public housing projects and distressed areas. The $425 million is apparently in addition to any other federal funds BGCA or its affiliate may receive through either competitive grants programs or congressionally-directed spending, otherwise known as earmarks.

The BGCA Response implies that this bill is intended to stem the tide of independent clubs seeking federal financial assistance and perhaps channel their efforts through the BGCA. We have found no language within this bill that precludes any independent club from seeking additional grants or from receiving earmarks, and by BGCA's own admission, clubs can and do independently lobby Congress and seek and obtain federal funds. We also found no language or requirements that BGCA must actually pass on funds to the individual clubs that are working with youth on the ground and on the front lines.

According to the Revenue Statement in BGCA's 2008 Form 990, federal funds appear to comprise almost 40 percent of BGCA's revenues. The 990 also shows that BGCA posted **over a $13 million loss.** We find it hard to reconcile this loss with the amount spent on executive salaries, perks, and lobbying expenses. We are especially concerned because it is our understanding that some independent clubs have closed or are on the cusp of closing because of a lack of funding. Given the new authorization of funding approved for BGCA and the current fiscal constraints on the federal government as a result of the unprecedented federal budget deficit, it is our goal to ensure that federal appropriations are disbursed in a responsible manner that is transparent to taxpayers.

In light of these concerns, we respectfully request you answer the following questions, which are compiled from our staff's review of the Response and BGCA's 2008 tax filings.

BGCA, 2008, Tax Form 990:

Part III, Statement of Program Service Accomplishments

If the amounts authorized by S.2924 are fully appropriated, BGCA would receive $85 million per year in federal funds. It is not clear what BGCA's role is in the daily activities of individual clubs.

1) Provide the criteria that BGCA uses to evaluate the grantee's performance and ensure compliance of grant requirements/regulations.
2) Provide a detailed explanation of the activities of the BGCA, including whether and how BGCA engages in direct service.

3) Line 4a
    a. Provide a list of the Boys & Girls Clubs opened and closed, and their locations, since BGCA first began receiving federal funds.
    b. Provide the criteria for opening and closing clubs. How does BGCA define "existing and emerging areas of distress where the nation's neediest children and family reside"? How many communities has BGCA identified for new clubs or expansions that have not occurred because of a lack of funds?
    c. Provide detailed information about the grants awarded and expenses incurred for each of the following: New Clubs Funding, Sustainability and Capacity Building, Anti-Gang and Anti-Delinquency programs.
    d. Provide the amounts of federal funds expended on these programs.
4) Line 4d
    a. This line reports the largest amount of expenses, including grants - more than the amounts listed for establishing, supporting, strengthening, expanding, and enhancing BGCA programs reported on line 4a. Provide program-specific information about grants awarded and expenses, including the amounts of federal funds expended on these programs.
5) Identify any grants awarded to independent, for-profit companies on the BGCA's behalf over the past five years. Indicate how much federal money was retained by the for-profits and by the BGCA, how much was used to pay third parties, and how much was actually paid to a grantee.

Part VII, Compensation & Governance

1) Provide copies of BGCA articles of incorporation, charter, by-laws or other documentation indicating how BGCA board members are selected.
2) Provide the number of board meetings held in calendar year 2008, and provide the attendance record for each Governor, Life Member, and Governor – Emeritus listed.
3) Indicate which, if any, Governors, Life Members or Governors – Emeritus are also board members or officers of a BGCA affiliate.
4) Provide the titles, job descriptions, and resumes for all compensated individuals listed.
5) Provide copies of the compensation studies, reports, and other documentation for each individual's compensation, including minutes of compensation committee and governors' meetings approving such compensation.
6) Provide the criteria used to determine each individual's bonus and incentive compensation.
7) Provide minutes of all meetings where the Board of Governors discussed or approved a Supplemental Executive Retirement Plan ("SERP") for Roxanne Spillett.
8) Provide a copy of the SERP document and any compensation studies or reports used to determine the amount of BGCA's contribution to the SERP.

Part VIII, Revenue

1) Line 1b Explain how membership dues are calculated and who pays them.
2) Line 1e Indicate amounts of revenue from state and local governments, if any.

Part IX, Expenses

1) Provide the criteria that BGCA uses to award grants and indicate whether such criteria factors into whether an organization has received an earmark or other direct assistance from the federal government.
2) For each grant awarded with federal money, indicate how much BGCA retained, how much was used to pay third parties, and how much was actually paid to a grantee.
3) Indicate whether new clubs are made aware that federal grant money is intended to be seed money that may not be repeated.
4) Provide a detailed accounting for each grant over $500,000 to an individual Boys & Girls Club.
5) Provide a detailed reconciliation of the amount listed as travel expense ($4,405,599), including destinations and purpose of such travel.
6) Provide a detailed reconciliation of the amount listed as conferences and meetings expenses ($1,629,960), including destinations and purpose of such expenses.
7) Provide a detailed reconciliation of the lobbying expenses reported ($542,804) and include a reconciliation of this amount to the amount reported on Form 990 Schedule C, the amount reported in the Response and the amounts reported on U.S. Senate and House lobbying disclosure reports.
8) Provide a list of all lobbying expenditures incurred by the BGCA (also include and identify any outsourced lobbying firms who work on your behalf and related expenses within your totals) over the past five years.
9) Provide a detailed list of all amounts reported on line 11g, including payee, amount, and purpose of such payments.

Part X, Balance Sheet & Schedule D, Part VII, Investments-Other Securities

1) Provide a detailed breakdown of the 60 individual funds that compromise the endowment fund and indicate the purpose and amount paid from each fund for each of the last five years.
2) Provide a detailed description of the composition of "Equity" that is listed at $54,331,578.
3) Provide a detailed breakdown of your "Limited Partnerships" that is listed at $53,437,539.

BGCA, 2008, Tax Form 990T:

Statements Regarding Certain Activities and Other Information

1) Provide a detailed description of the properties generating rental real estate income reported in Part I, line 6, including their location, and explain why BGCA chose to make such investments.
2) Provide a detailed list of BGCA's foreign financial holdings by country as listed on statement 8 and provide information on any other locations not reported on statement 8.
3) Explain why BGCA is utilizing foreign investments.

We expect that the answers to these questions will better inform us as to the use of federal funds by the BGCA and will guide us in determining whether any changes are necessary to S. 2924 to ensure that such funds are reaching their intended recipients. We appreciate your prompt attention to these matters and request a response by March 29, 2010. In order to ensure a complete and thorough response, we recommend that you discuss your proposed response with our staff before submitting it.

Sincerely,

Chuck Grassley
U.S. Senator

Tom Coburn, M.D.
U.S. Senator

Jon Kyl
U.S. Senator

John Cornyn
U.S. Senator