Raising Millions for Charity, And Even More for Golfers

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Thursday, July 5, 2007; A01

The AT&T National golf tournament beginning today at Congressional Country Club is the latest creation of a philanthropic conglomerate that Tiger Woods has built into one of the largest athlete's charities in the nation.

Like most PGA Tour events -- but unlike most other professional sports -- the Bethesda tournament is structured as a fundraiser hosted by an independent charity, in this case the Tiger Woods Charity Event Corp.

The charities that host such PGA Tour events collectively raise millions of dollars for good works in the community. Last year, the PGA and related tours reported having raised a total of $105 million. "We're very proud of that," said Ron Price, the Tour's chief financial officer.

Less well known is that much more money goes toward expenses and operations -- especially the purses taken home by golfers. Tour officials said their average tournament provides golfers with a purse of $5.7 million and, after paying costs associated with the event, generates $1.75 million for charity.

"You can certainly question the validity of calling something a charitable event when so much money goes to individuals," said Sandra Miniutti of Charity Navigator, a watchdog organization that rates nonprofits on efficiency.

Charity specialists say such disparities are not uncommon when it comes to special fundraising events. "It is not unusual for them to be on the expensive side, and relatively slim on the charity," said William Josephson, a New York lawyer who specializes in the ethics of philanthropy.

The finances of Woods's tournament at Congressional are expected to resemble those of the PGA Tour's Wachovia Championship in Charlotte and the Barclays Classic in Westchester County, N.Y., according to Greg McLaughlin, president of Charity Event Corp. and director of the AT&T National.

A spokesman for the Charlotte event said it generates about $1.5 million for charity and paid golfers $6.3 million this year. A Barclays spokesman said that tournament generates $1 million for charity and this year has a $7 million purse. In addition to the purses, tournaments spend millions more on everything from leasing buses to buying gift bags for players.

McLaughlin said that Woods's fundraising is at least as cost efficient as that conducted by other hosts on the PGA Tour. He estimated that the average tournament gives to charity 15 cents out of each dollar raised.

"It's a very expensive business," McLaughlin said. "If you don't put on a nice event, you don't get the people to come back. The goal is to run a great experience . . . and raise as much money for charity as possible."

Wood's Trio of Charities

Tiger Woods's philanthropic operation comprises three charities linked through their finances and leadership. The Tiger Woods Charity Event Corp. raises millions of dollars and funnels it to the Tiger Woods Foundation, the hub of the enterprise. The foundation, in turn, helps underwrite the Tiger Woods Learning Center Foundation, which runs a youth
education facility in Anaheim, Calif.

Altogether, the charities report having collected $95 million in the last three years. In the expanding universe of athlete foundations, they rank second in revenue only to charities linked to cyclist Lance Armstrong, whose foundation's growth has been fueled by sales of the wildly popular "Livestrong" bracelets.

The Tiger Woods Foundation has grown steadily in stature and assets, IRS records show. Its revenue has jumped from $2.7 million in 1998 to $11 million in 2005. Its net worth totals $37 million.

In 2005, Woods's foundation took in $5.6 million in direct gifts from the public. McLaughlin would not say how much of that amount came from Woods, whose income, not including investments, has been estimated at more than $100 million a year.

"All I would say is, Tiger Woods's contribution, in both time and money, far exceeds anything that we've ever received," McLaughlin said.

The traditional way to rate the efficiency of a charity is by gauging the percentage of its revenue spent on administration and fundraising as opposed to the amount spent on program activities -- the charitable purpose that qualifies an organization for tax-exempt status.

Charity Navigator gives the Tiger Woods Foundation four stars -- its highest rating. One reason is that the foundation in 2005 reported spending $1 million, a relatively low percentage of revenue, on management and fundraising expenses. A factor keeping those numbers low, but not considered in the rating, is the foundation's receipt of millions of dollars raised by its sister nonprofit, the Charity Event Corp., which reports its expenses separately.

The Charity Event Corp. is the least known of Woods's charities but brings in the most money. The organization's fundraisers include the Target World Challenge golf tournament at Sherwood Country Club north of Los Angeles and Tiger Jam concerts in Las Vegas.

From 2004 through 2005, Charity Event Corp. raised $29 million and gave $6.7 million in grants and contributions to Woods's foundation and other charities, IRS records show. Much of the remainder went toward expenses, including golf prizes totaling more than $10.25 million. As in the case of many tournaments, officials at the charity said, the PGA Tour subsidizes part of the purse in exchange for television rights.

For golf tournaments, the largest slice of revenue comes from corporations such as AT&T and Target, which pay large sums to have their names associated with the events. Sponsors often cover more than half the cost of a tournament. Other revenue and money to cover expenses come from advertising, ticket sales and -- indirectly, through the PGA Tour -- fees that television outlets pay for the right to air the events.

Woods's Target World Challenge is underwritten by Target stores, Countrywide Financial and the Williams energy company. Financial statements show that the tournament in 2005 featured a purse of $5.5 million and generated more than $13 million in revenue. Proceeds from the tournaments are not taxed as they would be if the events were operated by a for-profit company.

It is impossible for an outsider to determine precisely how much of the $13 million in revenue went to Woods's other charities. On tax returns, money from the tournament is combined with that from the corporation's other fundraisers.

An official news release announced that the 2005 tournament had raised "more than $1 million" for charity. In an interview, McLaughlin said the actual amount was more than $2.5 million, which works out to roughly 19 cents of each dollar collected. McLaughlin and the foundation's chief financial officer, Bob Anderson, later said the $2.5 million figure also was too low, and revised it to $3.2 million.

Anderson said that using those figures to compare expenses with donations was misleading, and offered alternatives. One involved an accounting method not used on the organization's tax return, which allows Anderson to reduce the revenue total by removing payments related to television fees. That adjustment would alter the percentage given to charity in recent years to between 31 percent and 42 percent.

McLaughlin said that other measures show that the operation is particularly well-run -- the charity reported in 2005 that it spent nothing on fundraising and only 1 percent of its revenue on management. One might assume that fundraising
expenses could include money spent to put on concerts or golf tournaments -- prizes, gift bags, ballroom dinners and the like. But the Charity Event Corp. listed those expenditures as "program expenses."

The Tiger Woods Foundation's independent auditor, KPMG LLP, wrote in a Nov. 21 report to the board that, "Under U.S. generally accepted accounting principles, the costs of hosting the Golf Tournament . . . are not considered program expenses." The auditors noted that the charity had obtained an IRS letter saying that such expenditures could be listed as program expenses on its tax returns.

Bennett Weiner of the Better Business Bureau's Wise Giving Alliance said he had never seen fundraising costs accounted for in this "unusual" manner. "It raises questions," Weiner said.

The third arm of Woods's operation, the Tiger Woods Learning Center Foundation, is based on a 14-acre campus near Los Angeles. The center offers programs for children in grades 4 through 12. Classes are designed to inspire children toward careers in forensic science, robotics, engineering and video production.

In 2005, the Learning Center Foundation collected $6.7 million in direct public donations and $3.5 million in government grants. That brought the organization's net worth to $25 million.

Woods said he hopes to open his second learning center in the Washington area, though McLaughlin cautioned it could take three years to get a center up and running on the East Coast and that the location has not been pinpointed.

"We're still really early in the process," he said.

For the first year of the tournament at Congressional, he said, most proceeds will be given to local youth-based charities. After that, most will be directed toward establishing the East Coast learning center.

McLaughlin is president of all three of Woods's nonprofits. A former tournament director for the Western Golf Association in Chicago, McLaughlin in fiscal year 2005 received compensation and benefits totaling $310,000, federal tax returns show.

Tim Finchem, commissioner of the PGA Tour, received a compensation package from the tour's nonprofit and one of its for-profit subsidiaries that totaled nearly $9 million. Tour officials said that includes retirement benefits, deferred compensation and multi-year bonuses subject to forfeiture if Finchem left the organization.

Business and Philanthropy

Woods's charity operations intersect with his business interests.

The boards of Woods's charities include executives whose companies have paid to associate themselves with the PGA Tour and Woods's public persona. Board members in recent years have included a group president at AT&T, a marketing director from Countrywide Financial Corp., a marketing manager from the financial firm HSBC, a vice president from Williams Co. and a consultant for Target.

"There's nothing necessarily wrong with that, but it would make me want to look more carefully" at the foundation, said Greg Johnson, executive director of the Bethesda-based Sports Philanthropy Project, which studies athletes' foundations.

In 2004, the Tiger Woods Foundation gave the Target Foundation $600,000 -- the Woods foundation's largest gift that fiscal year. A Target consultant sat on the Woods foundation's board until recently, but she apparently did not join the foundation until after the gifts had been made. McLaughlin said the payments helped cover youth scholarships.

The charities also have ties to Woods's sports agent, IMG (previously known as International Management Group).

From 1999 to 2002, records show, the Tiger Woods Charity Event Corp. paid $375,000 to IMG for what the nonprofit's tax returns describe as consulting services. IMG has helped develop Woods's public image and helped win him millions of dollars in corporate endorsements.

In 2000, the head of IMG's golf division, Mark Steinberg, joined the board of the Tiger Woods Foundation. Steinberg is Woods's agent at IMG.
Charity watchdogs are always on the lookout for conflicts of interest and self-dealing at nonprofit organizations. One charity has established a Web site that offers stark advice about how sports agents can use athletes' foundations to collect a bigger paycheck.

"By setting up a foundation . . . for your client you can obtain COMPENSATION FOREVER from gifts made from this foundation," says the Web site of the National Heritage Foundation. "You, the agent, may receive compensation directly."

McLaughlin said there was no conflict of interest between Steinberg's board position and the payments to IMG. The payments were commissions for the company's work attracting sponsors for its tournaments, he said. In recent weeks, IMG has been working to line up financial backers for the AT&T National, and IMG will be paid commissions for any sponsorship money it brings in, he said. Such commissions are paid competitively and IMG receives no special consideration from the charity.

"It was totally an arms-length transaction," McLaughlin said.

Last fall, the foundation moved into offices in Irvine, Calif., for which the charity will pay nearly $1 million in rent over five years. The landlord is a corporate affiliate of the Irvine Co.

Mike McKee, the vice chairman of the Irvine Co., sits on the foundation's board. McLaughlin said McKee had nothing to do with the arrangement, and that the foundation hired a consultant to confirm the rent was reasonable.

"It was the right property, in the right place, that we could afford," McLaughlin said. "It just happened to be an Irvine Company property."

Research editor Alice Crites contributed to this report.