FALSE PHILANTHROPY

Exhibits to the First and Second Foundation Reports

Special Interim Report

Important Disclaimer

Information concerning the Bill, Hillary & Chelsea Clinton Foundation (the “Clinton Foundation”) that is analyzed in the First Interim Report (the “First Foundation Report”), the Second Interim Report (the “Second Foundation Report”), and this Special Interim Report (the “Special Foundation Report”) is derived only from publicly available primary and secondary sources. No attempt has been made to verify the accuracy of underlying source material; however, every reasonable effort has been made to direct readers to public filings and other documents evaluated and mentioned in the First Foundation Report, the Second Foundation Report, and the Special Foundation Report. The analysis contained herein, together with accompanying Tables, Exhibits, and Appendices, does not constitute expert advice of any kind, whether legal, financial, accounting, policy, or otherwise.

Readers are urged to evaluate relevant publicly available facts about the Clinton Foundation, in appropriate context, and to form their own independently derived conclusions. For the convenience of readers, Appendix I contains Selected Caveats, Qualifications, and Definitions that are used and apply throughout materials issued concerning the Clinton Foundation, its constituent elements, and affiliates.

by

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Preliminary Assessment of Recent and Amended U.S. Federal Tax Filings for the Clinton Foundation

As they have done since January 2001, trustees of the Clinton Foundation recently released certain federal tax filings, including accounting work product falsely characterized as

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“independent certified audits”, that appear inaccurate and materially misleading, and failed to make important disclosures that constitute material omissions.

There are numerous specific errors and omissions--these will be covered in detail in subsequent written reports. The purpose of this brief analysis is to offer pointed comments concerning disclosures about the largest constituent element within the Clinton Foundation (“New CHAI”) and the largest single physical asset of the Clinton Foundation.

**False and Illegal Creation of New CHAI in 2009 and 2010**

Between 29 September 2009 and 15 March 2010, Clinton Foundation trustees together with certain outside experts submitted a false and materially misleading application to the IRS (whose Tax Exempt Organization Department was then headed by Lois Lerner) and obtained, improperly, a determination letter authorizing New CHAI to operate as a public charity.

Unlike the application to register the Clinton Foundation and to register New CGI that are both available through the main Clinton Foundation website, the application to register New CHAI is not available on the main Clinton Foundation website.\(^1\)

An incomplete version of the application to register New CHAI is available through the New York State Charity Bureau.\(^2\)

This false and illegal application, together with all supporting details including correspondence, is certainly material to any informed, professional assessment of the legal status of the Clinton Foundation and of its single largest constituent element, New CHAI.

Central to the application is the claim that New CHAI was not a “successor” to any organization.

Crucial financial information “audited” by BKD and filed with New York State is purposefully obscured on the Clinton Foundation website showing just how substantial revenues, expenses, assets, and liabilities were of an entity called “CHAI” during 2009,

Moreover, footnotes in financial statements that, again, are purposefully obscured in Clinton Foundation disclosures for 2009 and for 2010, make abundantly clear, as stands to reason, that New CHAI certainly stepped into the shoes of “CHAI” starting in 2010.

BKD, and later MHM and PwC, either failed to investigate how New CHAI was constituted in each of the many foreign countries where New CHAI has operated since 31 December 2009, or

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\(^1\) See: [https://www.clintonfoundation.org/about/annual-financial-reports](https://www.clintonfoundation.org/about/annual-financial-reports)

\(^2\) See: [http://www.charitiesnys.com/RegistrySearch/search_charities.jsp](http://www.charitiesnys.com/RegistrySearch/search_charities.jsp)
they investigated and elected to withhold from government authorities and from the general public the negative, disqualifying conclusions they should have found doing proper due diligence.

The entity described as “CHAI” in the 2009 filings found at the New York State Charity Bureau website is an outgrowth of illegal operations begun after 12 July 2002 by Bill Clinton and by Ira Magaziner, neither of whom were originally officers or directors of the Clinton Foundation in 2002. These operations, carried out in the name of the Clinton Foundation, were never properly documented or specifically approved by the IRS as valid “tax-exempt purposes”.

Since the 2010 financial statements for the Clinton Foundation and for New CHAI are false and materially misleading, all subsequent financial statements that spring from balance sheet and other financial data in 2010 are also false and materially misleading.

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**Accounting for the Little Rock, Arkansas Campus that seems False and Materially Misleading**

The single largest physical asset of the Clinton Foundation is what remains of the Little Rock, Arkansas campus. Footnote 13 in the 2014 accounting work product issued by PwC contains\(^3\) this false and materially misleading set of disclosures:

“In 2004, the Clinton Foundation entered into a joint use, operating and transfer agreement with the National Archives and Records Administration (NARA) that expires February 29, 2101. Under the agreement, NARA agreed to operate certain areas of the facility known as the William J. Clinton Presidential Library and Museum (the Library) for the purposes of housing, preserving and making available, through historical research, exhibitions, educational programs and other activities, the presidential records and historical materials of President William Jefferson Clinton.

Because the terms of the lease essentially transfer to NARA the right to use portions of the Library for a period in excess of the property’s expected economic life, the cost of construction of those areas operated by NARA, which amounted to approximately $36,000,000, has been excluded from the Clinton Foundation’s statements of financial position. [emphasis added]”

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In violation of applicable laws, Clinton Foundation trustees failed to employ accrual accounting principles through 31 December 2004, the period during which the main portion of the Little Rock complex was constructed.

Footnote 11 of the 2005 accounting work product issued by BKD tells a radically different story concerning accounting for the supposed $36 million “donation” to NARA in 2004:

“In 2004, the Foundation entered into a joint use, operating and transfer Agreement with the National Archives and Records Administration (NARA) that expires February 29, 2101. Under the agreement, NARA agreed to operate certain areas of the facility known as the Clinton Library for the purposes of housing, preserving, and making available, through historical research, exhibitions, educational programs, and other activities, the Presidential records and historical materials of President William Jefferson Clinton.

Because the terms of the lease essentially transfer to NARA the right to use portions of the Library for a period in excess of the property's expected economic life, the cost of construction of those areas operated by NARA have been recorded as a program service cost on the Foundation's Statement of Activities in the amount of $36,000,000 in 2004 [emphasis added].

The unjustified switch in accounting treatment relating to the largest physical asset of the Clinton Foundation appears to be part of a continuing plan to shift attention away from the likely diversion of $36 million in cash out of an IRS-authorized public charity during and after 2004.

Moreover, during and after 2004, Clinton Foundation trustees and outside auditors attempted to mask the illegal diversion of a further $28.5 million by improperly accounting for certain borrowings.

Here it is worth noting that the Clinton Foundation purposefully does not provide copies of the accounting work product issued by BKD concerning 2004 that is otherwise available in the public domain.

**Basic Requirements Performing an Independent Certified Audit of an IRS-Authorized Public Charity Engaged in International Activities**

PwC, MHM, and BKD have either failed to investigate the legal status of constituent elements within the Clinton Foundation and accounting for key periods in the history of the Clinton Foundation, or have chosen to overlook material deficiencies they may have uncovered in the course of their investigations.

U.S.-domiciled public charities are required to maintain tight and effective operating and financial controls over all constituent elements, whether these are “initiatives”, legal entities, or joint ventures.
To ensure that related party and “insider” transactions are properly disclosed, IRS-authorized public charities must also explain relevant activities involving trustees, executives, significant donors, and others “in position to exercise significant influence”, including those of family members.

One starting point for professional independent accountants is to make appropriate inquiries into the status of all material licenses and permits that a given client may hold.4

In the case of the Clinton Foundation, a key concern for auditors is whether each material portion and legal entity was validly organized and whether each portion and legal entity was managed in compliance with applicable federal, state, and foreign laws.

Inside the United States, New CHAI, New CGI, and Alliance for a Healthier Generation were neither created nor operated lawfully from inception to date.

Outside the United States, no Clinton Foundation entity is, therefore, validly organized in any foreign jurisdiction.

Furthermore, in the case of American India Foundation, the Clinton Foundation continues to omit making required disclosures concerning Bill Clinton’s role as Co-Founder and Honorary Chairman of an entity that has never lawfully filed public disclosures and continues, even now, soliciting donations across state and national boundaries in gross violation of numerous laws.

**Ignoring “Red Flags” Suggesting Fraud**

The PwC “audit” of 2014 expressly disclaims making any comments, positive or negative, concerning the “effectiveness of internal financial controls”, in face of “red flags” that should have been cause for grave concern.

Professional accountants are quite aware of warning signs that suggest fraud has occurred and may be ongoing5.

In the case of the Clinton Foundation, PwC was made aware of specific concerns at their request starting in May 2015.

Yet, as is evidenced by issuance of their latest accounting work product, PwC has chosen to exercise gross negligence carrying out their “audit” of the Clinton Foundation and constituent elements.

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Ongoing review of the public record shows that the Clinton Foundation is not properly organized in any legal jurisdiction to pursue tax-exempt purposes (where donors are rightfully eligible to claim U.S. federal and state tax deductions) other, perhaps, than operating an archival records repository and related research facility in Little Rock, Arkansas.

Numerous written representations to state, federal, and foreign government authorities appear to be false and deceptive.

Extensive disclosures made to the general public also seem false and deceptive.

Since January 2001, trustees of the Clinton Foundation have apparently allowed executives and agents to promote widespread solicitations to donors using the mails, telephones, and digital media across state and national boundaries that may have raised more than $2.1 billion, if one accepts public disclosures at face value. These solicitations appear to violate numerous state, federal, and foreign laws and continue, according to the Clinton Foundation, on record pace.\(^6\)

Instead of investigating and attempting to correct false and misleading information contained in submissions to the IRS (including accounting work product falsely characterized as independent audits), Clinton Foundation trustees and outside professional experts including PwC seem to have compounded previous errors.

Additional analysis and reports are in progress and will be made available in due course.