Good News: SPLC Loses $50 Million Bad News: SPLC Can Afford It

By Patrick Cleburne

Those of us who know and love the Southern Poverty Law Center (SPLC, or more appropriately, in VDARE.com's considered opinion, the SPLC) have been naturally intrigued to see if this wealthy operation would be a victim of Bernard Madoff's Ponzi scheme.

After all, so many other Jewish-linked charities were: for example, the Robert I. Lappin Foundation, the Chais Foundation, the American Civil Liberties Union—not to mention poor Elie Wiesel's foundation. The Madoff massacre was remarkably sweeping.

Immigration patriots are particularly interested in the SPLC because of its recent obsessive smearing of essentially every immigration reform group in sight. This includes naming as a "hate group" not merely VDARE.COM (which has responded by naming the SPLC a "Treason Group") but also the Federation for American Immigration Reform (FAIR), which the SPLC has absurdly claimed is "at the nexus of the American nativist movement," along with FAIR's equally harmless fellow Beltway herbivores, NumbersUSA and the Center For Immigration Studies.

This new SPLC obsession is obviously odd because the huge post-1965 influx of unskilled legal and illegal immigrants, whatever else can be said about it, has been an unmitigated disaster for low-income blacks—allegedly the SPLC's historic concern. Labor leader Cesar Chavez (ironically an SPLC hero) saw this dynamic clearly in the case of his farm workers, at that time largely native-born Hispanics. It's why the Howard Industries blacks cheered last year's ICE raid on their employer.

Complaints, even from the Left, about the SPLC's lack of interest in black and "Civil Rights" issues, and its extreme interest in money, date back at least to Ken Silverstein's classic "The Church of Morris Dees" (*Harper's Magazine*, November 2000) and JoAnn Wypijewski's ferocious defense of her criticism of the SPLC for ignoring local black causes in her *Nation* magazine article "Back to the back of the Bus" (December 2000).

The standard critical assessment of the SPLC's chosen activities is that it is dominated by the extreme personal greed of its founder, Morris Seligman Dees. There are several stories about this in the (now quite extensive) SPLC literature. On this theory, Dees realized some years ago that his most generous supporters were simply more interested in savaging conservative and other politically incorrect groups than they were in the uplifting of blacks, and he responded accordingly.

The SPLC's Form 990 (PDF), which tax-exempt charities must file with the IRS, and its Audited Financial Statements (PDF) are now available for the fiscal year ending October 2008. And the answer to the Madoff matter—no such luck. Our friends apparently escaped unscathed.

But how did the SPLC manage to resist the allure of the so-called "Jewish T-Bill"—an operation which claimed to produce relatively moderate but extremely consistent returns over many years? Would that not be attractive to the SPLC as a prudent 501(c)(3) charity—as it was tragically to so many others, and to so many Jewish retirees as well?

Answer: absolutely not. The reason the SPLC dodged Madoff was simply that *its financial resources are managed astonishingly aggressively*. The clear overriding objective: making money. Safe, slightly above-par returns just did not fit the bill.

Of course, this investment objective did cause the SPLC to sustain $51.2 million in "Investment" losses in the fiscal year (FY) closing 10-31-08. But this left the SPLC with some $167.8 million in total portfolio assets at the end of the year.

And the implied approximately 30.5 percent FY 2008 loss is actually not exceptional. The S&P 500 lost 37.5 percent over the same period. (Of course, this makes the questionable assumption that it was prudent for the SPLC to be so exposed to stocks, rather than less

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volatile financial instruments such as bonds or money market instruments).

Essentially, the SPLC balance sheet looks similar to what one would imagine for a retired Goldman Sachs partner: property and working capital, plus a huge sophisticated investment portfolio.

As of 10-31-08, the SPLC showed $35.6 million (18.5 percent of its assets) in a kind of current account, called the "operating fund," which contains, curiously, all the physical assets, including $16.9 million in depreciated real estate (to be fair— apparently no yacht!). This "operating fund" includes an investment pool of $11.6 million, on which losses of $1.2 million were sustained in FY '08. Presumably this is the management's dabbling/fun account.

The balance consists of an investment portfolio, which stood at $156.2 million at 10-31-08. This is termed the "Endowment Fund".

It is important to understand that, according to the SPLC's own Financial Statements, there are essentially no restrictions on this fund. In the charity world, this is not what is commonly understood by an "endowment," which is usually dedicated to specific purposes, and often confined to spending income only. As Daniel Borochoff, President of the American Institute of Philanthropy, told Bill O'Reilly in 2001:

> They want to build up their reserves just like you'd probably like to be a multimillionaire so you could live off the interest…It's not really an endowment [just] because the board called it that. (See NPI/SPLC Report II, pp.17-18)

Proof of Borochoff's view of the SPLC strategy arose in 2008. Endowments are usually tapped in poor years, for operating expenses. But the SPLC transferred $4 million *from* its "Operating Fund" *to* its "Endowment Fund" last year—a clear demonstration of the management's Scrooge-like priorities.

It is when one examines the details of this "Endowment Fund" that the SPLC's heroic dedication to money-making becomes glaring. Page 14 of the Financial Statements reveals that of the $156.2 million:

> $20.7 million (13.3 percent) was in "Cash and cash equivalents";
>
> $18.8 million (12 percent) was in "Fixed income mutual funds";
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> $21 million (13.4 percent) was in "U.S. equity mutual funds";
>
> $14.1 million (9 percent) was in "International mutual funds."

So far, perhaps so good. But then:

> $44.9 million (28.7 percent) was in "Hedge Funds";
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> $20.6 million (13.2 percent) was in "U.S. equity alternative investments";
>
> $6.1 million (3.9 percent) was in "Private equity funds";
>
> $9.9 million (6.3 percent) was in "Fixed income alternative investments."

Some venturing into equity alternative investments (limited partnerships, leveraged buyout funds, etc., which in 2008 proved to be horribly illiquid) might be permissible for a very large pool of capital seeking to provide for very long-term and heavy spending commitments—a university, perhaps, with a massive payroll and plant. But the SPLC has disclosed no such commitments. With 52 percent of the "Endowment Fund" in these things, the management was clearly swinging for the fences for its own sake.

An idea of the potential problems arising from this exposure appears in Note 4, p. 15:

> At October 31, 2008, the Center has outstanding commitments to invest approximately $8,300,000 in limited partnerships and LLC's under capital commitment agreements.

This means that in 2009 the Southern Poverty "Law" Center is *obligated* to spend on these investment projects *more than the $8 million it spent on "Legal Services" in 2008!*

Another insight into the SPLC's aggressiveness from p. 14: the "Operating fund," which functionally appears to be the Center's housekeeping account, had $4.9

million in "common stock" and "mutual fund" holdings —13.8 percent of reported assets. Again curiously, obligations under the (relatively small) "gift annuity" and "pooled income" programs are held in the "Operating Fund." One might have thought they belonged where long-term investments are housed.

The unmistakable impression is that the "Endowment" is intended to be wholly focused on making capital gains, undistracted by the day to day (or even year to year) financial concerns of running the Center.

Page 14 also piously states:

> The Center's endowment fund maintains a broadly diversified investment portfolio oriented toward equity investments and strategies to take advantage of market inefficiencies. The Center's investment objectives are…achieved in partnership with an active investment advisory committee and external managers.

But there is no mention of the *purpose* served by hoarding all this money. Particularly given the heavy use of mutual funds, which are not the sort of thing "external managers" are needed to run but which must be selected by someone, the impression is that a great deal of senior management's time goes to grooming this portfolio.

In FY 2008, the SPLC reported raising $32.4 million from the public.

But expenditures came in at only $30.7 million. In the charity world, this is somewhat embarrassing, because competing fund-raisers can argue that a surplus means you don't need more donations.

Expenditures included $8 million on legal services and $12.9 million on "education"—presumably mainly under the tendentiously named "Teaching Tolerance" program, which seems to mainly consist of glorifying minorities. Fundraising took $5.4 million (16.7 percent of revenue). (I have seen it suggested that the "Education" expenditure includes much mailing, which should be considered fund-raising.)

Officers' salaries took $1,275,725 (3.9 percent) Highest paid is Richard Cohen, President and CEO, at $348,652. Morris Dees got $336,072, a 2.8 percent increase. The top five non-officer employees were paid an aggregate of $747,128 (up 2.3 percent) including $143,206 for Mark Potok (a 3.2 percent increase).

Non-officer compensation as a whole took 33.1 percent of income. Once again poor Heidi Beirich did not place.

For perspective, the cost of living in Montgomery, Alabama, where the SPLC has its notorious "Poverty Palace" headquarters, is just 77 percent of the U.S. national average. Median household income is $41,676.

On the other hand, the SPLC constantly proclaims the likelihood of right-wing violence. And apparently believes it: three of the top five "independent contractors" it reports provide security services. Under these circumstances, it seems strange and ungenerous that the two figures most in the public eye—Mark Potok and Heidi Beirich—should rank so low in compensation.

From its "Endowment Fund," the SPLC gave *nothing* ($0) to its alleged causes. By contrast, the Chais Foundation, with approximately the same amount of assets but no public fund-raising effort, is reported to have given $12.5 million away in each of the last two years.

However, there is nothing to stop charitable foundations giving grants to other 501(c)(3)s!

No doubt in this terrible year—with like-minded charities suffering from the stock market crash, recession, and Bernard Madoff—the Southern Poverty Law Center will be stepping forward to help!

Notice to liberal foundations: contact the SPLC here!

Ask for Morris!

The SPLC has achieved virtually a sacred status with the Main-Stream Media. Its pronouncements are effectively accorded Papal Infallibility. But in reality, it is merely a bunch of bigoted ethnic-special-interest thugs.

Although we cannot expect everyone to concede this, we look forward to seeing how this group of pirates can be defended from the charge of money-grubbing.

It is not possible to better Joan Wypijewski's scathing advice to her liberal readers in *The Nation*: ("You Can't Get There From Here," February 26, 2001):

> What is the Poverty Law Center doing…? Mainly making money…the center doesn't devote all of its resources to any kind of fight….A few years ago the American Institute of Philanthropy gave the SPLC an F for 'excessive' reserves. So readers, rip up those pledges to the Southern Poverty Law Center.

Next step: the Mainstream Media and Congress ripping up SPLC press releases and its poison-pen lobbying letters. ■

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