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Madoff scandal hits local groups

Organizations that funded research at Penn and other local projects no longer have money to contribute.

By Kristen A. Graham
Inquirer Staff Writer

The fallout from the Bernard Madoff scandal continues, with several local nonprofits potentially facing gaps in their budgets as a result of an alleged multibillion-dollar pyramid scheme.

The groups - including the Pew Charitable Trusts and the Juvenile Law Center - were partly funded by two foundations that have gone belly-up because the philanthropies' assets were managed by Madoff.

Rebecca Rimel, Pew's president and chief executive officer, said the nonprofit would lose about \$3 million pledged by the JEHT Foundation, a New York-based foundation that worked on justice and election issues.

JEHT and Pew were jointly funding Making Voting Work, a project designed to tackle election problems nationwide. JEHT had already paid \$1 million of its pledge, money that Rimel said is safe.

"They were a wonderful partner, and there really are no words to describe what an unfortunate blow this is to the nonprofit sector," Rimel said of JEHT yesterday.

Although the project will continue, JEHT's abrupt withdrawal means a slowdown in Making Voting Work, specifically in research around early voting, Rimel said. JEHT has contributed about \$2.5 million of the roughly \$16.5 million invested in the project since 2007.

"The research agenda will go forward - our board is deeply committed to the work - but it will go more slowly, and we hope that other sources of funding will come forward," Rimel said.

Rimel said that Pew heard from Robert Crane, JEHT president, about a week ago.

"He indicated that the donors had been decimated both personally and philanthropically, and that they were going to close their doors within three weeks," Rimel said. "I've heard stories of hundreds of nonprofits that were anticipating payment on pledges."

Madoff allegedly defrauded scores of wealthy investors in the pyramid scheme.

On top of a brutal economy already hitting nonprofits hard, the Madoff scandal fallout is especially excruciating, Rimel said.

"People need to understand that there is a local impact," she said.

Robert Schwartz, executive director of the Philadelphia-based Juvenile Law Center, said the advocacy organization had received about \$250,000 from JEHT to support operating expenses and appellate work earlier this year.

"We were in many ways quite fortunate to receive our latest contribution from JEHT this past fall, right before the Bernie Madoff scandal hit," Schwartz said.

But Schwartz fully expected the law center to receive more funds from JEHT, as it had in years past.

"We're now going to have to scramble to make this up. The good news is that we have a year to try to find replacement," he said.

Medical research labs at the University of Pennsylvania have also been touched by the alleged fraud. Funding for projects on diabetes and Parkinson's disease had been supplied by the Picower Foundation of Florida, which supported mostly mental-health issues and this month announced it would stop all grantmaking.

Mitch Lazar, a Penn genetics professor, was to get about \$300,000 annually from Picower to study how a diet high in fat influences diabetes-related genes. Lazar has said he knew that Picower had some ties to Madoff, but never

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Lazar has enough money to keep his project afloat for about a year, but without new funding will have to end it, he said.

Virginia Lee's group at Penn's Center for Neurodegenerative Disease Research is working on finding new drugs to treat people who have Parkinson's disease. The group must find new funding to replace money promised by Picower, she said.

Over the last five years, Picower had given \$3 million toward the work, Lee said.

Overall, the Picower money represents a fraction of the grants received by Penn.

Among the other groups that have received money from JEHT or Picower are: Melmark of Berwyn, which provides services to people with special needs; Moving Traditions of Jenkintown, which helps people engage with their Judaism; and the Moorestown-based Center for Traumatic Grief and Victim Services.

Officials from some of the organizations that had received money from JEHT and Picower could not be reached.

But Bea Leopold, interim executive director of the Wallingford-based Association of Paroling Authorities, Inc., said that ripples from the loss of these charities will continue to be felt.

"Fortunately or unfortunately, JEHT had pulled their funding from us last July," Leopold said. "But it affects the association itself in that the work JEHT did on a larger level was important to us."

It's unclear, Leopold said, who will step in to fill the gap.

Groups Potentially Affected

Two national foundations that ceased operations because they were tied up in the alleged Madoff pyramid scheme have given money to area institutions. If the groups counted on further funding from the philanthropies, they could be scrambling to make up budget gaps.

Bloomberg News is reporting the following groups received money.

From the New York-based JEHT (Justice, Equality, Human dignity and Tolerance) Foundation:

- Association of Paroling Authorities, International, Wallingford - \$200,000
- Center for Healthcare Strategies, Inc., Hamilton, N.J. - \$59,000
- Center for Traumatic Grief & Victim Services, Moorestown - \$37,500
- Juvenile Law Center, Philadelphia - \$150,000
- Pew Charitable Trusts - \$750,000
- Rutgers University Center for Mental Health Services & Criminal Justice Research, New Brunswick, N.J. - \$77,495
- Trustees of University of Pennsylvania Research, Philadelphia - \$117,500

From the Florida-based Picower Foundation:

- Melmark Home, Berwyn - \$25,000
- Moving Traditions, Jenkintown - \$75,000
- Pennsylvania State University, University Park, Pa. - \$15,000
- University of Pennsylvania, Philadelphia - \$400,000
- University of Pennsylvania School of Medicine, Philadelphia - \$450,000

Contact staff writer Kristen Graham at 215-854-5146 or kgraham@phillynews.com.



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