



COAST GUARD FOUNDATION

coastguardfoundation.org

September 22, 2021

The Coast Guard Foundation became aware of a significant diversion of funds in January 2020. The Foundation's purpose is to support the Coast Guard, including its effort to enhance boater safety. As part of its charitable activities, the Foundation makes grants to other charitable organizations. The Foundation decided to support another organization's boater safety activities, which was an appropriate use of the Foundation's resources. The Foundation granted \$510,216 to that organization for boater safety activities and support during 2017 to 2019.

The grantee organization misused \$302,716 of those funds by providing them to an individual donor. It is our understanding that the organization reimbursed the donor for personal expenditures of purchasing sponsorships of Coast Guard Foundation events. This was an unintended and inappropriate use of the funds granted by the Foundation to that organization.

Upon discovering this diversion, the Foundation immediately sought advice from its lawyers to ensure it took appropriate action and met its reporting responsibilities. They advised the Foundation had done nothing wrong in providing the funding or recording it as program support on its 2017 to 2019 IRS Form 990 reports. The Foundation would, however, need to report the incident on its 2020 IRS Form 990 since the money was not used by the grantee organization for the Foundation's intended purpose.

The Foundation has ceased making grants to the grantee organization and has demanded the return of the diverted funds. In addition, the Foundation has updated its procedures for monitoring the use of funds granted to third-party organizations to prevent a reoccurrence and ensure that Foundation funds are used as intended by the Foundation.

The Coast Guard Foundation is committed to ensuring all funding donated by its individual, foundation and corporate partners is used as intended – to tackle the toughest challenges confronting the Coast Guard, its members and their families.