Foundation for New Era Philanthropy

The Foundation for New Era Philanthropy was the biggest financial scandal in the history of American charities. By the time it collapsed in 1995, it had raised over $500 million from 1100 donors and stolen $135 million of this. Most of the money was stolen from Christian religious organizations. The thefts would have grown much larger if not for the diligence of a shunned accounting teacher at a little college in Michigan.

The Foundation for New Era Philanthropy was founded by a Philadelphia-area Christian businessman named John G. Bennett Jr. He had previously run a variety of different entities, including some Pennsylvania state drug education centers and a corporate training business. It would later be shown that he had kept this business afloat in part by check-kiting.

In 1989, Bennett invited several friends to become "beneficiary donors" in a new organization he was founding called Foundation for New Era Philanthropy. All they had to do was contribute at least $5000 with him for three months and he would double it. He explained that he had identified secret donors who would match charitable contributions raised by his friends. So rather than donating $5000 to charity, a sponsor gave the money to New Era Philanthropy for three months, then he or she could donate $10,000.

His friends ponied up cash, which Bennett used to pay his bills. He was able to pay them their doubled funds in January of 1990 by tapping a payment made to a consulting business he ran on the side. This was the last "real" income paid to investors. Everything from then on was pure Ponzi. In order to have funds ready to pay off the climbing number of deposits, he increased the minimum "contribution" to $25,000 and lengthened the minimum waiting period. Different donors were told different things, but the waiting period was typically six, nine, or ten months. The number of anonymous donors, anonymous benefactors, and anonymous philanthropists also varied, though Bennett eventually settled on claiming to have nine of them.

It seems obvious in hindsight that the program was a scam. However, Bennett had some very wealthy friends, including John M. Templeton, Jr., son of John Templeton, Sr., the famous investor and philanthropist, and people believed that Templeton was backing New Era. In 1994, Bennett expanded the program to allow "donations" by nonprofit organizations. These primarily included churches and other Christian organizations. These donors inclined to distrust the government and the banking system, and to trust their evangelical friend, John Bennett. Like most pyramid schemes or Ponzi schemes nowadays, his was an 'affinity' scheme, in which he ripped off people of common interest. In this case, Christian charities.

Using the swelling funds from these churches, Bennett expanded further, establishing offices in Radnor, PA. He had glossy brochures and a big staff to process all the money coming in.

He expanded his sales force by encouraging religious organizations to take a "finder's fee" or "thank offering" from any money they raised. In other words, if a priest could convince his parishioners to donate $10,000,000, he could keep $1,000,000 for himself, give the remaining $9,000,000 to New Era and get back $18,000,000 for the church in six months.

By and large his donors did not ask many questions. When they wanted proof that the money they donated was not being stolen, he provided evidence that the Foundation owned government bonds. Had the donors dug a little deeper, they would have found that (a) he was showing the same bonds to everybody, and (b) they had been pledged as collateral on loans anyway.

Bennett told prospects that his anonymous donors met several times a year, in person or by phone. Former U.S. Treasury Secretary William Simon, who ironically lost a lot of money to the scam, did try to do a bit of due diligence and asked to be admitted to the donor panel. Bennett never responded to the request and Simon gave him money anyway.
With the cash flowing though his hands, Bennett made all sorts of private investments. He bought a share of a travel agency and ran all of New Era's travel business through it. He also purchased a publishing house and other businesses.

In early 1995, The Foundation for New Era Philanthropy was receiving praise in the press for giving money to religious organizations and involving high school students in charitable events. However, the end came swiftly.

On May 15 of 1995, a skeptical article about the Foundation appeared on the front page of the Wall Street Journal. The same day, the Foundation capitulated in the face of a lawsuit demanding repayment of a $44,000,000 loan and filed for chapter 11 bankruptcy protection. In filing, the foundation stated that its assets were worth $80 million with liabilities of $551 million.

A close examination of the documents filed in the subsequent lawsuits reveals that more than $354 million passed through New Era's hands and that Bennett took $8 million of that for himself.

In the end, by liquidating all of Bennett's personal assets and reclaiming funds that had been paid to earlier participants, the court was able to bring the total loss down to $135,000,000, spread among all participants in the scheme. In other words, participants who got out early and suffered no losses were required to give the money back, to be shared with others who were less careful (or less lucky).

Bennett faced 82 federal counts of money laundering and wire, mail and bank fraud. He planned to claim in his defense that he had been possessed by "religious fervor", but the judge did not allow this. In the end Bennett pleaded "no contest" to all the charges in March of 1997. Though federal sentencing guidelines indicated a sentence of 22 to 27 years, the judge sent him away for only 12.

The scandal touched 1,100 individuals and charities, including more than 180 evangelical groups, colleges, and seminaries. Some people who should have known better, including leading figures in American finance, lost money. A detailed list appears below.

**Why did it collapse?**

All Ponzi schemes die sooner or later, as there is not enough money in the universe to keep them running. Bennett's particular scam collapsed because of an investigation headed by Mary Beth Osborn, head of the Charitable Trust Section of the Pennsylvania attorney general's office.

She had received a letter in 1993 from a suspicious whistleblower within New Era. Her inquiry eventually resulted in New Era's registry with the IRS.

As Bennett started to disclose greater financial details, New Era caught the wary eye of Albert Meyer, a Spring Arbor College accounting professor, whose institution in Michigan had been drawn into the matching scheme. Meyer's research indicated that the Foundation was a scam, but Spring Arbor College successfully collected on its early investment and the president of the college believed Meyer to be a defensive fool. College officials told Meyer that he was going to endanger their ability to get matching grants if he kept asking so many questions. They went so far as to wave a check from New Era in Meyer's face before investing more money. Meyer however was sure he was right and alerted federal investigators and The Wall Street Journal that New Era had all the features of a pyramid scam.

After New Era collapsed, the president of Spring Arbor College called Meyer to apologize. "You were right all along. We should have listened to you," he admitted.
Who Put Money In?

Harvard University, Princeton University, The Nature Conservancy, former Treasury Secretary William E. Simon, who was owed $6.5 million by New Era; Laurance S. Rockefeller, $11.4 million; John C. Whitehead, the former cohead of Goldman, Sachs & Co., $2 million; and Raymond G. Chambers, Simon's former business partner, $1.9 million.

Charities

- Biblical Theological Seminary, Hatfield, Pa., $5.8 million
- Covenant College, Lookout Mountain, Ga., $5 million
- International Missions, Reading, Pa., $5 million
- International Teams, Prospects Heights, Ill., $5 million
- King College, Bristol, Tenn., $5 million
- CB International, Wheaton, Ill., $4.6 million
- Wheaton College, Wheaton, Ill., $4.6 million
- Detroit Institute of Arts, Detroit, Mi., $4 million
- Houghton College, Houghton, N.Y., $4 million
- John Brown University, Siloam Springs, Ark., $4 million

Donors

- George F. Bennett Jr., Boston, $3.3 million
- Peter Ochs, (address unknown), $3.2 million
- Buford Television Inc., Dallas, $3 million
- Henry F. Harris, Wyndmoor, Pa., $3 million
- Westwood Endowment, Indianapolis, $2.8 million (less than $280,000)
- Don Soderquist, Rogers, Ark., $2.8 million
- William Kanaga, Orleans, Mass., $2.4 million
- Henry W. Longacre, Souderton, Pa., $2 million
- Whitehead Foundation, New York, $2 million (about $1 million)
- Amelior Foundation, Morristown, N.J., $1.9 million

Other individuals, amounts not disclosed (compiled by the Associated Press)

- Charles L. Andes, Haverford, Pa
- Philip J. Baur Jr., Ambler, Pa.
- George F. Bennett, Boston, Ma.
- Peter C. Bennett, Hingham, Ma.
- Peter Benoliel, St. Davids, Pa.
- Lewis Bernard, New York, NY.
- Michael D. Bills, Charlottesville, Va.
- Geoffrey Boisi, New York, NY.
- Pat Boone, Los Angeles, Ca.
- Robert Brown, High Point, N.C.
- William Buck, Villanova, Pa.
- David Bussau, Opportunity Programs Maranatha Trust, Australia
• Robert Byers, Byers Foundation, Chalfont, Pa.
• Carlos H. Cantu, President & CEO, Service Master Co., Downers Grove, Ill.
• Jeffrey W. Comment, President & CEO Felzberg Diamonds, N. Kansas City, Mo.
• Cornerstone Trust, Ron Williams, Grand Rapids, Mi.
• Larry E. Creasy, Coalesce, Pa.
• Lynn Day, Grosse Point, Mi.
• James DeKruyter, Kalamazoo, Mi.
• Max DePree, Holland, Mi.
• Patrick Duff, Glen Rock, N.J.
• John A. Duke, Rogue River, Ore.
• Tom Dykstra, Wyomong, Mi.
• Timothy B. Eckel, Anville, Pa.
• Eric Eichler, Malvern, Pa.
• Merle L. Embleton, Greenwood, Del.
• Michael Erikson, Philadelphia, Pa.
• R.D. Erikson, Hinsdale, Ill.
• Honor Fox, Philadelphia, Pa.
• Charles D. Fulton, Cherry Hill, N.J.
• John Griffin, New York, NY.
• Houston Federation, Nancy Hansen, V.P., West Conshocken, Pa.
• Stewart Houston Charitable Trust, Louis J. Beccaria, Coatesville, Pa.
• Nelson Harris, Lafayette Hill, Pa.
• John Hebben, Jenkintown, Pa.
• Erik T. Hostvedt, Coopersville, Pa.
• Clarence Huizenga, Holland Mich.
• Robert Hunsberger, Bridgeville, Del.
• Sanford Jett, Lisle, Ill.
• Christine King, Larchmont, N.Y.
• Stephen B. Klinsky, New York, NY
• Wim Kooyker, Blenheim Investment, Inc., Somerset, N.J.
• Ronald D. Kuykendall, President of Eats Company, Wayne Pa.
• Claire Lesman, Coatesville, Pa.
• Rev. Phillip S.L. Lee, Mountaintown, Calif.
• Raymond C. Lee, South Hamilton, Mass.
• Horace W. Longacre, Souderton, Pa.
• Thatcher Longstrech, Philadelphia, Pa.
• David Mace, New York, NY
• Jane C. MacElree, Newton Square, Pa.
• Andrew Maier II, Reading Pa.
• Stephen Frank Mandel Jr., Darien, Conn.
• Beatrice G. Merzig, Oneonta, N.Y.
• Milkon Christian Foundation, Patricia A. Cannon, Director, Columbia, S.C.
• Joanna Mockler, Wayland, Mass.
• Don Modgil, Modgil Family Foundation, Huntington Beach, Calif.
• Doug Nagel, Stuart, Fla.
• Joseph Neubauer, Philadelphia, Pa.
• One to One, Karen Finnigan, Washington, D.C.
• David Parks, Plymouth, Mass.
• John C. Pepper, Pres, Procter & Gamble Co., Cincinnati, OH
• Vivian Piascik, Haversford, Pa.
• C. Willaim Poliard, Wheaton, Ill.
• Alex Rankin, Bedminster, Pa.
• William Reichardt, River Florist, Ill.
• Frank E. Richardson, president, Wesray Capital Corp., New York, NY
• Julian Robertson, president, Tiger Management Corp., New York, NY
Focus on the Family, Colorado Springs, Colo.
Freedom Baptist Schools, Hudsonville, Mich.
Friendship Ministries, Devon, Pa.
Frontiers, Mesa, Ariz.
Fuller Theological Seminary, Pasadena, Calif.
Gordon College, Wenham, Mass.
Gospel Volunteers Inc., Speculator, N.Y.
Haggai Institute, Atlanta, Ga.
Harvey Cedars Bible Conference, Harvey Cedars, N.J.
Honey Run Camp, Three Lakes, Wis.
Hospital Chaplains' Ministry of America, Huntington Beach, Calif.
Inter-Varsity Christian Fellowship of the USA, Madison, Wis.
Interdev, Seattle. Jim Elliot Schools, Denver, CO
Juvenile Diabetes Foundation International, New York, NY
Lake Geneva Youth Camp and Conference Center, Lake Geneva, Wis.
Landis Homes Retirement Community, Lititz, Pa.
Life Ministries, San Dimas, Calif.
Luis Palau Evangelistic Assoc., Portland, Ore.
MAP International, Brunswick, Ga.
Maranatha Bible & Missionary Conference, Muskegon, Mich.
Market Street Mission, Morristown, N.J.
Mayersoon Academy for Human Resource Development, Cincinnati, OH
Menno Haven, Inc., Chambersburg, Pa.
Mercy Medical Airlift, Manassas, Va.
Mercy Ships, Lindale, Texas
Messiah College, Grantham, Pa.
Middle East Media, Lynnwood, Wash.
Mission Aviation Fellowship, Redlands, Calif.
Mission India, Grand Rapids, Mich.
Mission to the Americas, Wheaton, Ill.
Moody Bible Institute, Chicago, Ill.
National Coalition Against Pornography, Cincinnati, OH
National Foundation for Teaching Entrepreneurship, New York, NY
New Hope Counseling Center, Forest Hills, N.Y.
Operation Mobilization, Tyrone, Ga.
Opportunity International, Oak Brook, Ill.
Overseas Council, Greenwood, Ind.
P.R.O. Missions, Cordova, Tenn.
Penn Christian Academy, Norristown, Pa.
Philadelphia Tennis Patrons Association, Devon, Pa.
Pioneers, Orlando, Fla.
Plumstead Christian School, Plumsteadville, Pa.
Presbyterian Children's Village, Rosemont, Pa.
Prison Fellowship Ministries, Washington, D.C.
Ravi Zacharias International Ministries, Norcross, Ga.
RBMU/WorldTeam, Warrington, Pa.
Rescue Mission, Syracuse, N.Y. S.I.M., Charlotte, N.C.
Scripture Union, Upper Darby, Pa.
Seminary of the East, Fort Washington, Pa.
John G. Bennett Jr., 57, was chief executive officer of the Foundation for New Era Philanthropy, a charity based in Radnor, Pennsylvania, which he began in 1989. A former drug-program administrator, who advised nonprofits on management and fund-raising techniques, Bennett...
became a popular and influential figure in Philadelphia’s philanthropic and cultural circles, thanks in part to the prayer breakfasts he often held.

New Era soon became the answer to numerous prayers: Bennett promised charitable organizations and wealthy individuals that he approached, a 100% return on their contributions within six months ([38]), thanks to anonymous donors who would match their gifts. New Era would only keep the interest earned during the search. It sounded too good to be true, especially since the mysterious benefactors were known only to Bennett. However, when Bennett delivered on his early promises, the news spread and donations in New Era increased exponentially; last year it rivaled the Rockefeller Foundation in its largesse (total: $100 million). Cathryn Coate, executive director of the Greater Philadelphia Cultural Alliance, says; 'the word on the street was that Bennett was a super credible man, impeccable. You hear things like, 'Oh, I've known Bennett for 15 years.' It's not like a bunch of quick-fix guys duped a bunch of bozos.'

Bennett was only doing what Charles Ponzi did in Boston back in 1919, paying back one wave of investors with money he received from ensuing waves. Like Ponzi, Bennett was something of a civic hero for a while, and like Ponzi, he was careful not to draw attention to himself with a flamboyant life-style.

Listed among New Era’s creditors and or donors were sophisticated people such as Laurence Rockefeller ($11.4 million) and William E. Simon, former U. S. Treasury Secretary ($6.5 million). They were joined in their misery by the former head of Goldman Sachs & Co., John Whitehead, The entertainer, Pat Boone, The Mayor of Philadelphia, Edward Rendell, world-renowned hedge fund boss, Julian Robertson and mutual fund guru, John Templeton. Although not as famous, the biggest loser of all was the Reverend Glenn Blossom of Dresher, Pennsylvania who lost almost $30 million trying to get enough money to build a seminary. Other charities were taken in and a few of the more prominent ones were The University of Pennsylvania, The Nature Conservancy, and the American Red Cross and the Detroit Institute of Arts. Overall, New Era claimed $555.1 million in liabilities against just $80 million in assets.

One of the non-believers was Albert Meyer, who taught accounting at Spring Arbor College in Michigan. He was dumbfounded when he found out that his own school had joined the silly parade of investors in the New Era swindle. He took it upon himself to call Bennett personally and when he was not satisfied at what he heard on the phone, Meyer proceeded to write to the Securities & Exchange Commission, The Internal Revenue Service, the U. S. Attorney General’s office, and the Wall Street Journal. In spite of this gaggle of mail going to serious people, nothing happened immediately to thwart Bennett’s New Era. It was only when the lawyers for the supposed charity were not forthcoming with necessary backup documentation that many began to get cold feet.

“Bennett’s secret was that he was able to marry two powerful but seemingly contradictory human instincts: greed and charity. Those who threw in with New Era were so anxious to give, and to get, that they overlooked the obvious. However, greed and charity have met before. Charles Ponzi’s biggest extravagance was a $100,000 donation he made to an orphanage.” ([39]) Furthermore, he was able to convince his lawyers, accountants, and investment bankers to wave the flag for him with investors whenever they had the opportunity. They all got a little too carried away with their roles, and eventually each paid a horrific price for his involvement.

Particularly hard hit in the settlement was the investment banker, Prudential Securities, which seized more that $40 million in New Era funds that was placed by donors in a margin account at that firm for future charitable donations. The hold was put on the account when the Securities & Exchange Commission announced that it was conducting an investigation into the affairs of New Era. One could well wonder what was going through the brokerage firm’s collective mind when
they knew that something must be wrong or the SEC would not be all over the account, but yet, they continued taking in money “from charities and philanthropists into the account, without notifying them of the account’s status.” Whew!!

For whatever reason, the money had been placed in that account to cover a loan taken out by New Era. When Prudential thought that something might be amiss, they glommed onto the account. On the other hand, Prudential’s office in Kenosha, Wisconsin was part of the fraud’s epicenter. Participants in the scheme were told that their money was safe because it was held in “quasi-escrow” accounts at the brokerage firm. They received written confirmation of that fact in spite of substantial commingling within a single brokerage account. Prudential, when they found out about the fact that their employees were erroneously telling people that the co-mingled account was an escrow account sent a series of backdated letters to New Era categorizing the situation correctly. On the other hand, neither New Era nor Prudential ever said one word about the matter to the people whose money they were collecting, and after the initial correspondence with New Era, the problem was literally forgotten about. Moreover, it was this account that was used for money (loans) to make payouts. The trustee went on to charge that Prudential, “without instructions, approval, or written authorization from New Era, converted it into a margin account and began charging interest.” ([40])

The trustee in bankruptcy charged that Prudential Securities “overlooked repeated and obvious signs the charity was fraudulent out of a desire to earn commissions and “excessive” interest…the lawsuit, filed in U.S. Bankruptcy Court in Philadelphia, is the third New Era-related suit against Prudential since the charity collapsed into bankruptcy in May 1995. But unlike the first two suits – filed by nonprofit organizations and a philanthropist who lost money in the debacle – the trustee’s suit contains what is alleged to be extensive behind-the-scenes details of Prudential’s dealings with New Era gleaned from interviews with some of the firm’s employees.” ([41])

The trustee charged in a lawsuit that “Prudential knew, should have known, or had a reasonable basis to suspect that New Era was operating…a scheme to defraud its creditors," The trustee went further by saying that because of Prudential’s knowledge of what was going on they should not only return $160 million in funds that the loaned New Era or held for them in a brokerage account but when the dust had cleared, they should be obligated to stand at the end of the creditors line before collecting one penny back. Eventually, Prudential settled out their involvement at a cost of almost $20 million.

Early donators instructed that the money New Era received from their largesse go to charities of their choice. These original donators received literally, what had been represented to them, two dollars donated to the charity for each dollar the donor gave. As word of the munificence of certain unidentified people that were matching the funds spread, it caused a stamped of well-heeled benefactors to cross New Era’s palm with a torrent of funds. The problem that the matching donors were really funds that came from suckers that were getting in too late in the game, thus the charity was no different from what Ponzi had done decades earlier.

On the other hand, when the scheme fell apart and a bankruptcy trustee was appointed by the federal court to sort out the mess, Arlin Adams has asked that the charities that had received the double-donations early in the game, give the money back. This has met with substantial resistance and many usually laid back charities have shown what they were really made off but playing hardball with stolen funds. Some of the charities that have been reported to profit from the swindle were “Southfield Christian School, Baptists for Life in Grand Rapids, Young River Ministries in Farmington and Marantha Bible & Missionary Conference in Muskegon.” ([42]) Adams points out that there were several very unusual twists to this bizarre happening.
The first is the fact that over 1,300 charities were beneficiaries of New Era’s donations. Secondarily, Bennett did not particularly pocket any substantial part of the money as did Ponzi and others that succeeded him in the classic device for separating people from their money. The only reason for the fact that Adams was able ultimately to pay back victims of the massive fraud is because of the fact that the money for the most part had not walked. It was in the hands of the charities that got into the deal early on. Because the money trail was so clear, charitable institutions that were scammed were able eventually to recover approximately 63 cents on every dollar. On the other hand, the philanthropists, many of whom had filed claims in court—will not get a cent.

Hey, that's a pretty good gimmick. Pretend the money is going to charity; give everyone $2 in deductions for every $1 they put up. Not bad, but nobody would get suckered into another real Ponzi Scheme, and any it couldn’t happen because the SEC would catch them before anyone got hurt. The charity didn’t have anyone watching over their shoulders. Mr. Bennett pleaded no contest to 82 counts of fraud, money laundering, and received 12 years in prison without any possibility of parole in exchange for raising $354 million based totally on fraudulent premises. For whatever it is worth Mr. Bennett’s attorneys are saying that he meant no harm, he was only a person that suffered from delusions and was not sure what he was doing most or the time.

The Securities and Exchange Commission put what happened into perspective in their Litigation Release No. 15095, United States of America V. John G. Bennett:

“The indictment states that, in order to obtain funds from benefactors and nonprofit organizations, Bennett made various representations about the operation of New Era, all of which were false. Some of these representations are: 1) That the anonymous donors existed, that they provided matching funds, and that there were trust agreements with these anonymous donors, when, in fact, there were no anonymous donors and money from later donors provided the matching payments for earlier donors; 2) That Bennett was not paid for his work at New Era, when, in fact, he transferred over $3.3 million from the New Era accounts to the accounts of Bennett-related entities; 3) that money from benefactors and non-profits was being held in escrow or “quasi-escrow” accounts at Prudential Securities, Inc. during the holding period, when, in fact, the funds were being used to secure a large loan at Prudential, and some of the funds used to repay contributors to New Era were paid from the loan account; and 4) that New Era had a board of directors of prestigious individuals, when, in fact, Bennett was the only director.”

Nevertheless, the guys that make the frauds really work to perfection are the accountants. Without their help in leading the lambs to the slaughter, most financial crimes could not be committed. In this case, John McCarthy & Company out of Lafayette Hill, Pennsylvania was the New Era accounting firm and were in not for the friendly accountant assigned to the New Era audit, Andrew Cunningham, the whole affair could have never have progressed as far as it did. The federal court said that Cunningham knowingly issued false financial information that he provided potential investors in Bennett’s fraud received 30 months in jail for his efforts. He had violated the public trust by filing false audits and federal tax returns. It was these documents, which ultimately convinced investors that their money could be doubled in six months. Originally, Cunningham was scheduled by federal sentencing guidelines to be going up the river for 46 to 57 months but the accountant ratted on his former employer, Bennett, and received the reduced sentence in exchange for squealing.