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BUILDING HOPE, LOSING MONEY

The Center for Building Hope first got in financial trouble when it built a $5.5 million facility in Lakewood Ranch for cancer patients. STAFF PHOTO / MIKE LANG

As a nonprofit that provides support and resources for cancer patients struggled in 2010, it brought in a CEO with a financially troubled past. His salary has climbed, but the Center for Building Hope's finances remain shaky.

By Jessica Floum
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On paper, a Lakewood Ranch charity appears to be in dire straits.

Its most recent tax form came out three weeks ago, showing a deficit of more than $785,000.

Beginning in July 2014, the charity delayed retirement payments to employees for at least six months. It was late twice repaying a loan to a fellow nonprofit, and top officials acknowledge they are juggling cash flow to such an extreme that the Sarasota Ritz-Carlton waited months to get paid for an event they hosted in November.

While the Center for Building Hope struggles to make ends meet, CEO Carl Ritter has seen his salary almost triple to more than $335,000 — including a recent bump of about $128,000.

The Center's board members insist the raises are appropriate. They say they are working toward a bright future.

But the last few years tell a different story.

At the height of the recession, the charity's leaders built a posh new headquarters with allergen-free palm trees and a cobblestone labyrinth for meditation. The financial climate caused donors to fall off. Money dried up and the nonprofit teetered near disaster.

When the former CEO left in 2010, the nonprofit chose an unusual replacement. Ritter, who had never worked for a nonprofit, once went bankrupt and oversaw a used car company that funneled hundreds of thousands into his pocket even as the business was collapsing.

The charity's leaders hoped Ritter would help the Center get back on its feet.

Ritter and the board continue to take financial risks: They decided to stop relying as much on donors, bought another nonprofit that was named one of the worst in Oregon and tried to make money by selling donated wedding dresses.

Ritter and others defend his large salary increases, saying he took on a bigger workload, deferred some of the payments and forgave $100,000.

"We absolutely are running on a shoestring here," said Carol Ann Kalish, a board member and former chairwoman.

"If Carl hadn't come here, this organization wouldn't exist. … We're finally about to get on some solid ground."

The Center's struggle to stay afloat raises questions about its long-term viability, especially in a wealthy community where so much is contributed

Carl Ritter, Chief Executive Officer of the Center for Building Hope. STAFF PHOTO / NICK ADAMS

to charities. Powerful figures such as former U.S. Rep. Katherine Harris, the Sarasota County sheriff's wife and the wife of Florida Chamber of Commerce chairman Steve Knopik have sat on the charity's board.

The Herald-Tribune spoke with seven experts in nonprofit governance, retail and accounting, all of whom questioned whether the Center is headed in the right direction.

"I'm literally in tears I am so upset about what's happened to that organization," said Charlie Ann Syprett, a donor and former board member.

"If I were sitting on the board and found out this was going on, I'd do a thorough scrubbing. I would have immediately fired him."

Missing money

In March, the Center's own employees bore the brunt of its financial troubles.

At least 11 workers discovered that a collective $22,000 was missing from their retirement accounts. At least one employee's account had a balance of zero. Neither the money set aside by employees nor the amount matched by the Center had been deposited for more than six months.

IRS rules require employers to deposit their employees' contributions to their Simple IRA accounts within 30 days of the month that the money is withheld from the employees' paychecks.

Ritter said he didn't contribute on time because he didn't know the rules.

The departure of Jenny Alday, former vice president of business development, brought the issue to Ritter's attention in January. Alday resigned to pursue another job and found her account empty.

Ritter emailed his staff telling them the Center would fully fund everyone's retirement accounts by the end of March. But he didn't do so until more employees complained.

The Center reimbursed Alday a week later, but did not correct anyone else's accounts because Ritter thought he had more time, he said.

"I believed the rules were May 15 so it was a nonissue," Ritter said. "When it became an issue I said I'd go check. I checked and I saw it was wrong. I fixed it."

But the Center followed the rules in the past.

It abided by IRA regulations for two full years after the accounts were opened. Raymond James gives all new plan owners paperwork explaining contribution rules, account adviser John Freeman said.

The Center opened accounts with Freeman in November 2012, two years after Ritter started as CEO. Everything was fine until about June 2014, Freeman said. That was the last time the organization contributed to the accounts before depositing the missing money last month, he said.

"It just appears that something happened last year," Freeman said. "They knew what a Simple IRA was. They had one before."

Freeman first noticed the Center wasn't regularly contributing to its employees' IRA accounts last August. He said he called and emailed Ritter at least six times over the next nine months to remind him his contributions were due.

"Quite frankly, I didn't know why they were withholding it," Freeman said. "I can't pry into their business. ... It's the employer's responsibility to send us a check."

The Center withheld the contributions because it could not afford to pay them. The charity treated its employees' retirement accounts as a bill it could pay off later instead of a regulatory obligation, Kalish said.

"If I were in their shoes," Freeman said, "I'd be in that corner office saying: 'Where the heck is my money? I'm working hard for this organization.'"

The Center corrected its employees' retirement accounts in March but put off payments to a vendor and a lender.

That lender is one of the most important charities in Southwest Florida: the Gulf Coast Community Foundation.

A changing relationship

The Gulf Coast Community Foundation manages grants and scholarships for local charities and students and has contributed almost $200 million to nonprofits in the region.

The organization loaned the Center $675,000 to buy and expand a small nonprofit based out of Oregon, said Mark Pritchett, the foundation's senior vice president for community investment.

Ritter planned to use the nonprofit to boost the Center's bottom line, and officials at Gulf Coast Community Foundation thought it was a safe bet.

But the Center did not fulfill its end of the deal.

Two years after obtaining the money, Ritter stopped sending financial updates, Pritchett said. Then, in December 2014, the Center delayed sending a loan payment of $24,000. In March, it put off another $24,000.

"When they weren't sharing information with us like they had been and then they're late with payments, that changes the business relationship because they're not filling their part of the bargain," Pritchett said.

The Gulf Coast Community Foundation took a harder look at the Center's governance and finances.

Its members spoke with the Center about the loan at least seven times in the last five months. Pritchett and others at the foundation said they are concerned that the charity spends too much on overhead and lacks a chief financial officer. Power at the organization is too centralized, Pritchett said.

"We're not going to turn our heads," Pritchett said. "We're going to jump into it and make sure no laws have been broken and people are on top of this thing. If organizational changes need to occur they're going to occur."

The Center made its December loan payment in January. It got back on schedule in April — one week after the March payment was due. But once again, the Center had to juggle payments — it simply did not have the cash to meet all its obligations.

"A business like ours, there is always going to be a quarter of a million dollars of payables," Ritter said.

The IRA issue has been settled and the loans are being repaid, but at least one vendor was owed thousands of dollars as of April 30. The Center had not finished paying off the $43,000 it owes to the Ritz-Carlton Sarasota, where it hosted a gala last November.

"We're still feeling the effects of the recession and we do very aggressive payables management," Kalish said.

A labyrinth at the Center For Building Hope in Lakewood Ranch offers cancer victims and survivors a place to meditate.
STAFF PHOTO / MIKE LANG

Treasurer Alfred Rose said other board members told him about the organization's outstanding payments, but he has not been directly involved since his wife was found to have Alzheimer's disease four years ago.

"I do not have the knowledge nor the ability to understand all the underworkings financially," Rose said.

Left in the lurch

The Center now needs to put off bill payments to manage its cash flow. The organization's costly building, the recession and a loss of donor support buried it in debt — which became apparent when the charity moved into Lakewood Ranch in October 2010.

The board obtained a $5.5 million bond in 2009 to build its operation in Lakewood Ranch and counted on the sale of its old building and contributions from major donors to pay it off.

But the recession left the charity in the lurch. By the time the Center moved into its building, Americans were feeling the effects of a crippled economy, a 10 percent unemployment rate and a deflated real estate market.

The Center expected to make $1 million from the sale of its Clark Road building, but the property only sold for $389,000. The organization lost another $500,000 that year when major donor and Sarasota socialite Diana Cloud lost almost $7 million in a local Ponzi scheme. Other donors had to either significantly cut back or eliminate their pledges, said Dave Shaver, a long-time board member.

"We got burned in a lot of ways," Shaver said.

The weakened economy put the charity in a bad spot financially, but a series of decisions by the board exacerbated its problems.

The board plunged into the construction of the Center's new building at a time they were losing donor support, failed to anticipate increased operational expenses and spent as though they were flush with cash.

"We were too stupid to realize that we had an operational deficit because we had a lot more money coming in the door than we were spending, but it was designated for the building," Shaver said.

Shaver moved to approve the Center's most recent financials during a board meeting in June 2009. The budget projected an approximate $144,000 deficit for the next fiscal year.

Former CEO Jay Lockaby took a five percent salary cut and declined a bonus that year.

The Center managed to pay off $2.5 million of the charity's debt by the time Lockaby left to take another job, but the nonprofit still owed Harris Bank $3 million.

"When we work with a nonprofit, our recommendation is that they never borrow money, especially for a building, because it's hard to pay back," said David Condon, a nonprofit consultant based out of Connecticut. "Then money is going to debt service instead of the organization's mission."

Realizing they could not afford the new building they had just moved into, the board hoped to find a business-savvy executive to replace Lockaby and renegotiate the Center's $3 million debt.

"We needed someone with more of an entrepreneurial mindset that might help us figure out some creative ways to dig ourselves out of this," Shaver said.

They turned to a Canadian businessman who had financial trouble of his own.

An unusual candidate

Board members hired Ritter in September 2010, convinced they had found someone with the financial skills to save the Center — even though Ritter had trouble paying past debts and the last company he ran failed as he profited.

Ritter first filed for bankruptcy protection in his native Canada in 1985. He was 25 and $31,000 in debt.

He was back in Canadian bankruptcy court in 2002, this time as part of a "commercial proposal" to pay off a $500,000 debt.

"It was a negotiated settlement on a tax deal, and that was the only way they could process it," Ritter said.

He settled in Southwest Florida in 2003, then the steward of a group of "buy-here, pay-here" used car lots. These types of dealerships typically deal with people who have bad credit and cannot get traditional loans. Ritter's company, Carbiz, changed interest rates weekly and quickly repossessed vehicles when people could not repay their loans.

"Collecting is part of the business," Ritter said.

Ritter spent 17 years at the helm of Carbiz, which went public in the U.S. in 2006. During the three years that Carbiz traded as a penny stock on the over-the-counter market — a volatile exchange often subject to fraudulent schemes — it did not once turn an annual profit.

"The fact that it came out and never made any money and the fact that it traded for pennies says there was something wrong from the very beginning," said Irv DeGraw, a banking professor at St. Petersburg College who has spent more than 30 years analyzing and trading stocks. "Nobody wants to buy penny stock because it's worthless."

While the company bled, Ritter's salary rose.

From 2004 to January 2009, Carbiz lost almost $42 million, and Ritter's salary more than tripled.

In 2009, Carbiz paid Ritter $802,000 — including a bonus of half a million dollars. The next year, it closed for good.

Unemployed after the Carbiz failure, Ritter was casting about for a job.

He turned to a headhunter for help — the same headhunter the Center would use to find its new CEO.

Some experts say it is common for headhunters to provide their clients as candidates. But such an arrangement can be a conflict of interest, said Bruce Dingman, president of The Dingman Co., an executive search firm in California.

"It's really not a level playing field for the employer who has hired them to go out and find the best possible candidate," Dingman said. "They're going to make more money if they also place the candidate who is paying them."

The Center's board members knew that Ritter was a client of the headhunting firm they used, but didn't see it as a problem, Shaver said. Shaver thought of the firm's president Mary Beth Bos as "a nonprofit guru" and her husband, vice president Jim Bos, thought Ritter's experience with finances and a board made him a good candidate.

"Carl had background history ... that fit to what this organization was looking for," Jim Bos said.

But it is unclear how deeply they checked that "background history."

For one thing, at least four of Ritter's five references were linked to Carbiz, and at least two had financial backgrounds similar to Ritter's.

Investor Mel Gilbert failed to pay off a $175,000 mortgage in 1982 and owed the federal government about $23,000 in tax liens in 1991. Former Carbiz Chief Operating Officer Paul Whitley filed for bankruptcy in 1999 and owed more than $1.1 million in state and federal tax liens between 1994 and 2006.

Whitley would not comment on his liens. Gilbert said he didn't recall his debts.

These men attested that Ritter had the "highest character," was a "smart businessman" and a "great team builder," Shaver said.

The board looked no further into Ritter's background. He was hired in September 2010.

Risky business

Ritter walked into a nonprofit in turmoil.

The Center's CEO was leaving. The charity had just lost its program director and cut programs in Venice and Bradenton. It faced tremendous debt and needed to raise money to avoid foreclosure. Morale was at an all-time low, said two long-term program facilitators.

Ritter's plan for the Center was different than what the nonprofit was used to — he replaced almost 70 percent of the money that came from donors with a retail venture that even Ritter acknowledged was risky.

The Center acquired a failing Oregon nonprofit that sold used wedding dresses.

Called "Making Memories Breast Cancer Foundation of America," the nonprofit made the Oregon Department of Justice's "20 Worst Charities" list in 2011. At the time, it spent less than 12 percent of its donations on cancer victims.

Where others saw failure, Ritter saw opportunity. At the time, the Center had an operational deficit of $650,000, he said.

"We were running paycheck to paycheck," Kalish said.

Ritter and the board renamed the nonprofit "Brides Against Breast Cancer" and hoped their new business model would turn it into a cash cow.

Brides Against Breast Cancer made a net profit of about $681,000 during fiscal year 2013 and has been self-sustaining since its conception, according to unaudited cash flow reports provided by Ritter.

Ritter could not show the Herald-Tribune audited financial statements from this past year, but he said the organization is on the right track.

"Brides Against Breast Cancer is the savior," Ritter said.

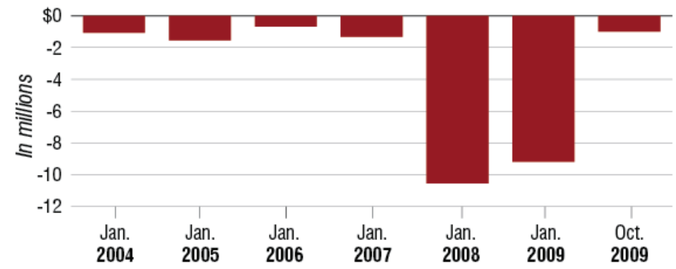
But even Ritter acknowledged that depending on steady income from wedding dress sales is dicey.

Each year, Brides Against Breast Cancer puts on about 150 bridal shows around the country. The group ships donated dresses out on its own trucks and pays for its show managers to fly to the shows.

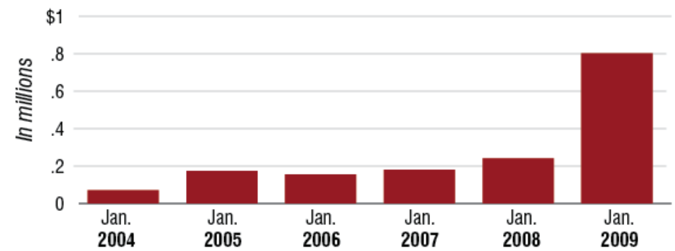
"I think that is a hugely costly way to do business and very complicated and logistically impossible," said Stan Rutstein, a former retail executive. "I don't think it will work."

Ritter said he mitigates the risk and cost involved with bridal dress sales by selling promotional tables

Center for Building Hope CEO Carl Ritter spent 17 years running Carbiz, a chain of "buy-here, pay-here" used car dealerships. The company's operations lost money every year between January 2004 and October 2009. The graph below shows operational losses at Carbiz over time.



From 2004 to January 2008, Carbiz lost almost $23 million, and Ritter's salary more than tripled to $241,000. In 2009, Carbiz lost another $20 million and paid Ritter $802,000 — including a bonus of half a million dollars. The next year, it closed for good. The graph below shows Ritter's salary over time.



SOURCE: U.S. Securities and Exchange Commission filings STAFF GRAPHIC / JENNIFER F. A. BORRESEN

to wedding planners, cake makers and other bridal businesses that want to advertise at dress shows.

The business-to-business component, he said, "becomes a balancer for the more volatile side of that model."

Still, Brides Against Breast Cancer's overhead costs raise questions about the long-term viability of the subsidiary, Rutstein said.

"Do I think that's the savior?" Rutstein asked. "I question that."

Ritter gets a raise

The Center's new venture caused overhead costs to go through the roof. The board spent more than $1.5 million on salaries in 2012 — a 55 percent increase from the previous year.

New Brides Against Breast Cancer employees accounted for part of the increased salary spending. The Center also hired Ritter's son and daughter after he started, and Ritter's compensation increased the most.

The Center gave Ritter a raise of almost 70 percent during the 2011-12 fiscal year, well above the national and state averages for CEOs at similarly sized organizations.

In 2012, the average compensation increase for Florida CEOs at like-sized charities was 2.3 percent and the national average was 2.9 percent, according to a report by GuideStar, an organization that promotes transparency in the nonprofit world.

The first time the board increased Ritter's salary,

Brides Against Breast Cancer has thousands of donated bridal gowns in the group's Lakewood Ranch warehouse. STAFF PHOTO / MIKE LANG

they ran the decision by Pete Smith, a nationally recognized executive compensation consultant. He told them a 70 percent increase was "not unreasonable."

"The board knew there was risk in this, but they felt they needed strong leadership to turn that around," Smith said. "At the time I was advising them, the board had already made the decision."

Ritter's new salary fell above the national average, but Smith and the board agreed it was fair considering his new role managing Brides Against Breast Cancer.

The Center gave Ritter another raise during the 2013-14 fiscal year — this time by nearly $128,000.

The Center spent more than 10 percent of that year's revenue on his salary alone. That same year, the nonprofit reported a deficit of more than $785,000, its worst in history.

Again, Center officials said they gave Ritter a raise because he took on more responsibilities related to Brides Against Breast Cancer — but the Center also paid an executive, Amy Paulishak, about $112,000 to oversee the program.

"Typically if the organization is not performing well you wouldn't increase your spending for the director," said Bethany Carr, an accountant at Cavanaugh and Co. who has specialized in nonprofit audits.

The Center's large payroll raised concerns for the Gulf Coast Community Foundation, which loaned money to the Center, Pritchett said.

"We look at the whole payroll," Pritchett said. "If that's most of your operations, that's where you have to make the cuts."

During the recession, the Gulf Coast Community Foundation furloughed its employees, shrunk its staff by 25 percent and cut about one third of its operating costs, Pritchett said.

"Sometimes you have to make those kinds of decisions," Pritchett said. "You have to look at the expense side as well as the revenue side."

A home away from home

If the Center fails, those who will be hurt the most are already ailing.

When Andrea Feldmar learned her 2-year-old daughter had one of the rarest forms of leukemia, the road ahead looked grim. Her toddler would undergo spinal taps of chemotherapy that would likely give her irreparable brain damage. To complete a bone marrow transplant, Robin's last hope, doctors told the family they would have to take the child to death's door and try to bring her back.

Feldmar asked doctors if she could speak with the other families whose kids had gone through that.

She couldn't, they said. The outlook wasn't good.

"Talk about a sense of isolation," Feldman said.

Feldmar is now the program director at the Center for Building Hope, which has become a home away from home and an extended family for more than 1,500 participants, she said.

Children with cancer attend free summer camps where they realize they are not alone.

Participants, volunteers and counselors become advocates for one another, sharing information and inspiring one another in support groups.

Newtown residents gather in their local library for a group catered to them. Cancer survivors who have found comfort in the Center have also found purpose in returning to lead classes after they've completed their treatment.

"You feel like this is your family," said Linda Keegan, a former participant who now teaches a free watercolor class. "It's an extended family. This is where you belong after you've been diagnosed."

The Center's failure would have a devastating impact on its participants, Feldmar said.

Wearing a scarf around her head that matches her blouse, Julie O'Brien stepped into Feldmar's office on a Thursday afternoon. O'Brien has led support groups at the Center for 15 years, but Feldmar didn't expect to see her that afternoon.

She was scheduled to get shots to increase her white blood cell count. She was diagnosed with stage 1 breast cancer in October.

"At least it's not experimental anymore," Feldmar told her.

Her daughter, now a 23-year-old working in marketing, had the same shots back when she was a 2-year-old with leukemia.

Feldmar gave O'Brien calendars to hand out in the waiting room.

O'Brien thanked her for giving her something else to think about.

"What people get here, they cannot get anywhere else," O'Brien said. "What happens here is remarkable."

Center for Building Hope chairman resigns amid fee questions

By Jessica Floum
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Jim Braun, the chairman of a Lakewood Ranch cancer charity, resigned Tuesday amid accusations that the Center for Building Hope is involved in a secret business arrangement with a company controlled by its CEO Carl Ritter and his wife.

Ritter developed an application that processes credit card transactions for Brides Against Breast Cancer, a subsidiary of the Center that sells donated wedding dresses and uses the proceeds to provide counseling and therapy to cancer victims and their families.

Two former employees of the nonprofit say Ritter's company charges a processing fee of at least 16 percent, eight times the recommended rate. This is on top of Ritter's $335,000 salary.

The business arrangement between Ritter's company and the Center has been in place since February, but only a few of the charity's 11 board members were aware of it until they were notified by the Herald-Tribune last week.

"There was a real miscommunication and a real misunderstanding," said Carol Ann Kalish, who will be stepping in as interim chairwoman along with board member Brian Mariash. "Not everyone on the board knew about it."

The board held an emergency meeting Tuesday in which members addressed calls for Ritter's termination. Braun resigned that evening.

"We told them as a board they have a duty to confront Carl with that and ask why he didn't disclose that," said Mark Pritchett, senior vice president for community investment at The Gulf Coast Community Foundation. "Carl had a duty to do that and he didn't. Those are grounds for dismissal."

The foundation loaned the Center $675,000 in 2011 and 2012 to buy and expand Brides Against Breast Cancer. The Center is still in the process of paying off the remainder of that debt.

Braun was among a select group of the board members that knew about the deal. He did not comment on his resignation or the business arrangement. Neither did Ritter nor board member Dave Shaver, who previously acted as a spokesman for the charity.

Jim Braun. HERALD-TRIBUNE ARCHIVE / 2015

Credit card fees

The setup essentially means that at least 16 cents out of every dollar coming into the charity through credit card transactions goes to Carl and Carol Ritter's company rather than to cancer patients. While not illegal, the arrangement is another blow to the struggling nonprofit — and the latest way that Ritter is making money off the Center as it struggles to stay alive.

This summer, the Herald-Tribune detailed how Ritter, the former head of a failed used-car company with a history of bankruptcy, saw his salary spike even as the center fell on hard times. Despite running a deficit of $785,000 and failing to contribute at least $22,000 to employee retirement funds, Ritter was granted a $128,000 raise.

"That's not only exorbitant, you would have to put it in context with the other shenanigans this guy has been involved in," said Jody Hudgins, executive vice president of First National Bank of the Gulf Coast and a former Sarasota banker.

Ritter's company processes transactions made on Brides Against Breast Cancer's website, including donations to the charity and ticket purchases for galas, dress shows and smaller events.

Former center information technology employee Rusty Harris said he set up the feature that sends money from credit card transactions into Carol Ritter's bank account. The Ritters take the processing fee and forward the rest of the money to Brides Against Breast Cancer so it can pay dress show expenses and manager commissions. Whatever is left over goes to the Center, which provides free emotional support to cancer patients.

"That's less people that they're helping," Harris said.

The Dodd-Frank Act regulates how much banks can charge processors, but there are no regulations for how much a processor can charge the merchant, in this case Brides Against Breast Cancer, said Jonathan Gabel, president of Priority Payment Systems South Florida in Cape Coral.

Processors sometimes charge extra for additional industry-specific services. For example, the Sarasota Orchestra, the Sarasota Opera and Florida Studio Theater all use ticketing software called Tessitura Network, which includes a payment processor. But a 16 percent processing fee is unheard of, Gabel said.

"I've never in my life seen a merchant account that is paying 16 percent," he said. "Four percent is extremely expensive. Most accounts, especially in the nonprofit sector, should be hovering around 2 percent."

Processors typically have to explain their services and related fees in detail when a merchant account is established in order for the officer or owner of the organization to sign off on it.

Board members could not produce a contract between the Center and BABC Mobile, the processing company owned by the Ritters.

"It's like holy crap," said Pritchett of the Gulf Coast Community Foundation. "You're using a vendor and you don't have a contract with the vendor. It's just all around bad."

In a statement sent to the Herald-Tribune, the Center said Ritter's credit processing application has greater interactivity and functionality than a typical credit processing mechanism and that the board has not determined whether the fee is justified. Until it does, the center will continue using the app without a fee, Kalish, the interim chairwoman, wrote in a statement from the Center.

"Although the application appears to work very well, the Board will be looking at these issues over the next month to decide whether to continue to use the application in its current format, modify the use, or use another application," she wrote.

Hailed as a savior

The Center hired Ritter in 2010 to help the nonprofit at a time of financial turmoil.

The organization had borrowed $5.5 million to build a new headquarters in Lakewood Ranch and faced hefty interest payments at time when donations were falling.

Board members said they felt they needed a businessman to turn their organization around. They were willing to look past Ritter's personal bankruptcy in 1985 and the failure of his "buy here, pay here" used car business that racked up nearly $42 million in losses before collapsing in 2010.

Board members called Ritter a savior and lauded his decision in late 2011 to buy a nonprofit organization that specialized in selling used wedding dresses and that had made Oregon's list of "20 Worst Charities" that same year.

Ritter promised to turn the nonprofit — now called Brides Against Breast Cancer — into a cash cow that would make up for the Center's drop in donations. But while contributions to the center from the acquired nonprofit initially went up, so did its expenses.

Those extra costs forced the charity to juggle payments to employees and creditors. The Center stopped making payments to at least 11 employees' retirement accounts and the Ritz-Carlton Sarasota was not paid in full as of April for a $43,000 gala it hosted in November.

While the Center was giving Ritter raises and paying him for his processor, it laid off at least three employees, defaulted on its mortgage for a second time and failed to meet the terms of the Gulf Coast Community Foundation loan.

Consultant Allison Moore resigned from the organization in May after serving as the public relations director for five years. The Center still owes her more than three months of professional fees. Managers told her it will take at least 18 months for her to see her paycheck.

"They have committed to me that they will pay me back, but 18 months is a whole lot of time," Moore said.

On Aug. 15, 2014, the Center defaulted on its mortgage after it failed to make its final payment of more than $2.7 million, according to the Center's 2013 financial audit.

"Paying the mortgage is providing cancer support," Shaver, the board member who had acted as a spokesman, said during an interview in June. "If we don’t pay our mortgage, we can’t continue to help people.”

Braun and Pritchett met in April to discuss the terms of the loans the Gulf Coast Community Foundation gave the Center in 2012. Pritchett told Braun that the Center needed to hire a chief financial officer, to send the foundation annual financial updates, to pass along audited financial statements and to get a better handle on who was handling the Center’s finances and how. Board members needed to change the way they governed, Pritchett told Braun.

As of this week, the board had not implemented the foundation’s recommendations.

“We need to get the message out to nonprofits that you can’t do self-dealing,” Pritchett said. “You can’t keep things from boards. You can’t have a CEO that’s leveraging his position at the threat of taking away donor support. That’s totally apart from the mission.”

Mapping the failure of the Center for Building Hope

By Jessica Floum
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LAKEWOOD RANCH — The Center for Building Hope laid off all but one of its almost 40-person staff last week and transitioned its cancer support programming to Jewish Family & Children's Services, leaving an uncertain future for the support center that cancer survivors fought to the end to protect.

While teary-eyed patrons volunteered at the organization's desk and brought in $50 checks to try to keep the Center for Building Hope alive, two volunteer executives struggled to pay off the center's hundreds of thousands of dollars of unpaid bills and showed the nonprofit's remaining board members how leadership's actions ultimately sunk the organization.

Board members trusted ousted CEO Carl Ritter when he told them in his 2010 job interview that the collapse of a used car company that funneled hundreds of thousands into his pocket was not his fault.

They supported him when he shifted the charity's focus away from donor support and toward the acquisition and aggressive expansion of a failing nonprofit out of Oregon, which caused the center's expenses to skyrocket.

They did not stop Ritter from hiring his adult children in violation of the charity's anti-nepotism policy and did not question his consolidation of power over the organization's finances.

While the center struggled to make ends meet, the board approved a threefold increase in Ritter's compensation to more than $335,000.

The board's three most-involved members defended him when he failed to deposit his employees' pay withholdings into their retirement accounts.

Interim chairwoman Carol Ann Kalish blamed the board's inattention on complicated new business ventures, a lack of financial acumen among board members and the board's failure to create layers of oversight.

Carol Ann Kalish
(Photo provided)

But at least seven of the center's board members worked in the financial industry during the last five years and at least two were aware of a secret business deal where Ritter skimmed 18 percent of credit transactions through an event application he owned with his wife.

The employer of former chairman Jim Braun made a hefty commission off of a $2 million life insurance policy for Ritter that Braun's partner sold the center, according to documents obtained by the Herald-Tribune. Although Stifel, Nicolaus & Co. managed the policy, Braun said plans were in place before he got on the board and he did not receive a commission.

Secret dealings, brazen new business plans and a web of lies woven by Ritter left the organization with so little cash and such little hope that people questioned how the nonprofit's board members — including some of the region's most prominent businessmen, attorneys and public figures—could have let the organization fail.

"Carl's pathological optimism ended up being really destructive," Kalish said. "It got away from us before we could realize what had happened."

Not enough coming in

The board's choice to hire Ritter in 2010 came at a crucial financial time for the center.

The organization had decided to take on the costly construction of a Lakewood Ranch headquarters the prior year, which meant the center faced tremendous financial pressure. It needed to raise $500,000 every six months to comply with a $5.5 million loan for its new digs.

In a 2009 finance committee meeting, former CEO Jay Lockaby and former treasurer Marshall Pepe voted against starting construction during the Great Recession for fear that the organization could not handle the multimillion-dollar budget it would require, according to Herald-Tribune interviews with former board members.

But they were outvoted. The committee recommended the board pursue its dream of growing its services and building a campus with allergen-free palm trees, water features and meditative labyrinths designed to foster healing. Lockaby would have to figure out how to foot the costs each month during a national financial meltdown that drove down nonprofit donations across the country.

The center made only $389,000 from the sale of its Clark Road building, which had been valued at $1 million. The organization lost another $500,000 that year when major donor and Sarasota socialite Diana Cloud lost almost $7 million in a local Ponzi scheme.

Lockaby just barely managed to pull in enough money each month. The center started a capital campaign through which donors pledged donations for the construction of the building, according to Herald-Tribune interviews with center employees and board members.

Dave Shaver, a finance committee member at the time, said the millions of dollars coming in through the capital campaign led the board to believe the center had more money than it did.

"We were too stupid to realize that we had an operational deficit because we had a lot more money coming in the door than we were spending, but it was designated for the building," Shaver said in an April interview with the Herald-Tribune.

But in a June 2009 board meeting, Shaver moved to approve the center's budget, which projected an approximate $144,000 deficit for the next fiscal year.

Lockaby took a 5 percent salary cut and declined a bonus that year, according to minutes from the board meeting.

"We got to the point where we were in 2010. I think we just weren't savvy enough," Shaver said. "We made some bad decisions. At one point, we had raised enough money to pay for the building. It turns out a lot of that money never arrived and we got ourselves in a financial hell."

The Center managed to pay off $2.5 million of the charity's debt by the time Lockaby left to take another job in 2010, but the nonprofit still owed Harris Bank $3 million.

The board's hiring committee members knew they needed Lockaby's replacement to have the skill to dig the center out of what they quickly realized was a financial sinkhole.

They hired the candidate they said had the strongest interview—a Canadian businessman who had financial troubles of his own.

Ritter's arrival

Board members hired Ritter in September 2010, convinced they had found someone with the financial skills to save the center.

That Ritter had trouble paying past debts and ran a used car company that eventually traded for pennies per share and collapsed as he funneled hundreds of thousands of dollars into his pockets apparently did not trouble them.

From 2004 to January 2009, Carbiz lost almost $42 million, but Ritter's salary more than tripled. In 2009, Carbiz paid Ritter $802,000 — including a bonus of half a million dollars. The next year, it closed for good.

Board members did not see any of this as evidence of failure. Kalish and Braun, in interviews with the Herald-Tribune, referred to Ritter as "a serial successful businessman" and someone with "a strong financial background."

Shaver went even further to explain Ritter's past: "Carl's former world is not a very black and white world," Shaver told the newspaper. "It's made to look like you're losing money when you're actually making money."

Ritter shifted the Center for Building Hope's business model shortly after he started. Donor support fell off and the center's $1.5 million surpluses turned into a more than $210,000 deficit all within the first year of his tenure.

By the time the center fired Ritter last month, the nonprofit had tripled his salary and faced a more than $785,000 debt. It still owes hundreds of thousands of dollars to venues, vendors, speakers and contractors that it is unable to pay.

"Looking at it now, I can draw very clear parallels," Kalish said. "But we felt like we understood why that had happened to him, why his business had failed. We felt he had an explanation for that."

At the time, the board boasted about hiring someone with business acumen. They had just heard a talk from Dan Pallotta, who has authored books on how nonprofits could accomplish more with a for-profit mindset. By hiring Ritter, the center kept in vogue.

"You can think that the board and the search committee was really stupid enough to hire somebody that had a track record of failure, which would be really ignorant on our part," Shaver said in the April interview. "Or you could say we checked him out, he's an entrepreneurial guy, he's got a track record that we can track."

A new business model

Unable to maintain the same pace of donor support, Ritter shifted the center's focus to a new business model.

"We knew that we had a donor fatigue problem after the capital campaign and we knew our traditional fundraising efforts fell way off," Kalish said.

In 2011, Ritter convinced the board to acquire Making Memories Breast Cancer Foundation, a failing Oregon nonprofit that sold donated wedding dresses and made the Oregon Department of Justice's "20 Worst Charities" list in 2011 because it spent less than 12 percent of its donations on cancer victims.

The nonprofit also had a history of self-dealing, according to a January 2012 article in The Oregonian newspaper.

The board agreed to borrow $675,000 from the Gulf Coast Community Foundation to acquire and expand what would become the center's subsidiary, Brides Against Breast Cancer.

Ritter argued that with proper scaling, he could turn Brides' finances around and make it the "savior" of the organization. He made Amy Paulishak, the charity's development director at the time, senior vice president of the acquisition.

"I was a glorified sales manager," Paulishak said in a recent interview with the Herald-Tribune.

Paulishak said she had no financial signing power and no control of the budget. When Ritter told her the venture was profitable and to do more shows, she did more shows.

When she and other employees had concerns about the organization's rapid expansion, they fell on deaf ears.

"The structure was set up so there was no one to air a grievance to," Paulishak said. "At the end of the day, the job has to get done, no matter what that is."

But Brides never contributed more than $681,000 to the center and caused expenses to skyrocket. Ritter told Paulishak that Brides contributed 77 cents out of every dollar to charity so her team advertised that, she said. In reality, it contributed an average of 23 percent in the three years before the center shut it down.

"We felt like he was always honest with us," Kalish said. "He came across as being candid. He came across as being business-minded."

Running the show

Ignoring advice from the Gulf Coast Community Foundation, the center's board failed to create a system of checks and balances when it came the organization's finances.

The center did not have a chief financial officer. Shaver, Braun and Kalish dominated the board's governance committee. Braun and former treasurer Alfred Rose were the only members of the finance and audit committee in 2012.

All this concerned Mark Pritchett, Gulf Coast's vice president of community investment, who repeatedly met with center officials to discuss the loan payments the center owed the foundation.

"You can't have everything vested in just a small group of people," Pritchett said in an April interview. "You've got to separate."

The board also looked the other way when Ritter violated the center's anti-nepotism policy by hiring his two adult children to work for Brides Against Breast Cancer.

Shaver denied the existence of a nepotism policy while Kalish said, "When he hired his kids, it was supposed to be that they wouldn't report to him and that they were supposed to be supervised by someone else. That's not how it worked out."

Ritter's daughter, Ashley, ended up managing the "micro-event" business, through which Ritter and his wife generated 18 percent fees for an application that processed credit card transactions and managed event registration. The deal had no contract and most of the board was unaware of it.

In March, Ritter sent Kalish, Braun and Shaver a draft of a license and royalty agreement for use of his app, according to documents obtained by the Herald-Tribune. But Kalish didn't realize that the deal had been in place since February, she said.

Ritter also brought in two associates from Carbiz to drive trucks and redo the books.

At least 10 former employees and board members complained about Ritter's management style in conversations with the Herald-Tribune, saying he belittled any board member and threatened any employees who questioned him.

"Working in financial services and businesses with dominant male leaders, I had a high tolerance for someone coming down hard on you," Paulishak said. "This was a completely different level."

Sixteen people left the board during Ritter's first three years.

But the ones who stayed defended him.

"Everybody loves a savior and wants a good story and wants to be able to end up on the other side," Paulishak said. "I think that's why everyone believed and maybe looked the other way and didn't trust their instincts because they wanted the story to end up the opposite of how it did."