After 'mistakes,' Yele Haiti gets new accountants

RYAN NAKASHIMA - AP Business Writer - Associated Press

The foundation of Wyclef Jean said Friday it has hired a new accounting firm after the Haitian-born rapper acknowledged the organization had made mistakes.

The announcement came hours before Jean was to headline a globally broadcast concert called "Hope for Haiti Now: A Global Benefit for Earthquake Relief," in which donations would flow through to charities including his own.

The finances of The Wyclef Jean Foundation Inc., also known as Yele Haiti Foundation, were questioned last week after it was revealed the charity had paid Jean to perform at fundraising events and bought advertising air time from a television station he co-owns.

Performers from Friday night's telethon — including Jean, Madonna, Bruce Springsteen and others — weren't being paid for their services, according to Carole Robinson, a spokeswoman for MTV Networks, which helped organize the event. The concert was being shown on major broadcasting networks in the U.S. and Canada, cable networks around the world and on the Internet, with a reach of some 640 million homes worldwide.

On Wednesday, the 37-year-old Grammy-winning artist told talk show host Oprah Winfrey that his foundation has been poorly run in the past.

"I think we have learned from our mistakes," he said. "In moving forward, I think we're going to be stronger than ever."

The new accounting firm, RSM McGladrey, will administer donations being pledged to Haiti relief through Jean's foundation.

Jean had been urging followers to text "Yele" to 501501 to donate $5 to his foundation in support of Haitian earthquake victims. More than $2 million was pledged in two days.

The foundation said Friday that any funds it receives related to the Haiti earthquake will be used solely to help earthquake victims, while funds to pay for overhead will be raised separately. It said a plane laden with emergency supplies will leave for Haiti on Saturday from Miami.

Yele Haiti is also retaining the services of accounting firm Grant Thornton LLP, which last August filed three years of overdue tax returns for the foundation.

Tax experts say it is not illegal for charitable organizations to pay for the services of board members as long as they are paid market rates.

But the practice is in stark contrast to the free services being offered by performers for Friday's fundraising event.

According to an IRS tax return from 2006, the Yele Haiti foundation paid $250,000 to buy airtime from Telemax S.A., a for-profit TV station in Haiti that is majority owned by Jean and business partner Jerry Duplessis, who is also on the foundation board.

Part of that money went to pay for a concert in Haiti put on by Jean himself, said foundation president Hugh Locke.

Another $160,000 that year was spent on a concert in Monte Carlo that Jean participated in, of which $75,000 paid for backup singers and $25,000 went to Jean through Platinum Sound Recording Studios Inc., a company he owns with Duplessis, Locke said.

Yele Haiti took in $1.1 million in total revenue that year.

John Colombo, a University of Illinois law professor specializing in tax-exempt organizations, said tax laws permit such fees.

"If you told me the organization raised $1 million and it all went to him, then I would have some issues," Colombo said. "Paying him an arm's length salary for services he actually performed just isn't a problem."

But Alvin Brown, a tax lawyer who runs the site IRSTaxAttorney.com, said such transactions were "scary" and "could be viewed as fraud."

Donations raised in Friday's telethon will be split between Oxfam America, Partners in Health, the Red Cross, UNICEF, United Nations World Food Programme, Yele Haiti Foundation, and the newly formed Clinton Bush Haiti Foundation.

Viewers are being urged to text "GIVE" to 50555 pledge $10 to those groups, or buy songs, albums and videos from the event from Apple Inc.'s iTunes store, the proceeds of which will be donated in their entirety to the participating charities.

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