

Behind the Bins: Following the Trail of Donated Clothing

By: Christopher Malo

We have all seen them before. We may not be able to recall offhand exactly where it was; maybe it was at one of those gas stations along a rural route outside of the city, or inconspicuously placed outside a Wal-Mart or corner-store in the neighborhood. Little thought is usually given to it until after a cleaning of the closets and the realization you have too many clothes, they don't fit, they went out of fashion, or simply are taking up too much space. You know that someone can make good use of them, so why not be charitable and donate what you no longer want or need? That's when you start to rack your brain. Where exactly did I see all those used clothing donation bins?

They all seem fairly innocuous, and aside from colors, they look pretty much the same. A large metal container with a sign to let the public know they are a receptacle for donating used clothing. But once you put those old shirts into one of these boxes, what happens to it now? Where does it go? Who actually benefits? The answer may surprise, or shock you.

In the Philadelphia region, these boxes are often operated by non-profits such as Goodwill Industries of Southern New Jersey and Philadelphia, the Salvation Army, Planet Aid or the Society of St. Vincent de Paul. St. Vincent de Paul's website lists 23 bins in the region, while Planet Aid operates 319 bins in Philadelphia, and 16,000 bins nationally. Goodwill maintains between 50 and 75 boxes in their area. The Salvation Army does not track the number of donation boxes they have throughout the country. While a few other smaller independent operators have a small number of boxes in the area, other larger for-profit organizations like USAgain operate nationally, with no donation boxes within city limits, but around 10 in the surrounding area.

One distinction that is important when answering these questions is whether or not the owner of the box is a non-profit entity or a for profit business. In general, the beneficiaries of a business are the owners, while the beneficiaries of a non-profit are the public. Often, there is an assumption that the operator of the donation box is some type of non-profit charity. While at times it is true, this is not always the case. Frequently there is also the belief that regardless of who may benefit financially from the donations, that at least the clothes go to help those in need locally. This also may, or may not, be the case. It is less dependent on circumstance, then which box the clothing is put into.

Discerning who is who, and what goes where, is in general made easier by those with altruistic desires, and lost in subterfuge by those with less noble intent. Education of the public has been made by those with purer aims, while preying on the public's ignorance is seemingly a part of the business model of those with more unscrupulous goals.

"What I would want the public to aware of is that when they are making a donation of their material goods, they have an opportunity to make a difference in their community. And I think that should be one of the factors they consider when they donate," says Mark Boyd, CEO of Goodwill Industries of Southern New Jersey and Philadelphia.

Goodwill's specific mission is to help people with disabilities and disadvantages realize their economic potential where the best way to accomplish this is via a job. To achieve this, Goodwill runs various programs locally to create employment opportunities, give the disadvantaged training opportunities, and assist with job placement services. The programs range from a GED program, computer skills classes, resume assistance, and helping people with interview skills. They hold workshops for ex-offenders to try and give them the skills necessary to become employable, and assist in job placement. Goodwill has also started its own temp agency and an unarmed security guard company, perfect for veterans returning from war.

Boyd estimates that roughly 80 percent of the funding for these programs comes from goods donated to Goodwill. Another 15 percent comes from contracts with industry. For example, a contract with Comcast gives those in the ex-offender program a job repairing broken remote controls. Less the 4 percent of their 30 million dollar budget this year comes from government sources. All while employing around 800 people.

In addition to the revenue generated from local donations staying in the area, the clothing itself also stays here. According to Boyd, the process is simple. The donations are collected, transported to a store, and then processed. If it is suitable for sale at a Goodwill store, it is tagged, hung on a hanger and placed on a rack. If it is not in a condition to be resold, it is sold to a rag dealer. It is almost a 50/50 split between re-sellable and rag, but the items that can be put out, that were generated locally, are also sold locally.

“If they donate to Goodwill, if they donate to the Salvation Army, if they donate to St. Vincent de Paul, that is going to make a difference to the people in their community,” Boyd goes on to explain. “When they make a donation to an unmarked box, or to someone they have not heard of, or to Planet Aid, it’s not going to stay local. Planet Aid states basically all their donations are going to Africa, and no one has been able to track what happens to that donation. Is it real, are these front organizations? That’s not me speaking, that’s what the record says.”

The record Boyd is referring to is that of Planet Aid's, it's alleged ties, and following, or trying to follow both the clothing, financials and paper trail of these organizations. While places such as Goodwill and the Salvation Army operate with transparency, provide clear and straightforward answers to questions and provide supporting documentation, the same can not be said for others.

Planet Aid is a tax-exempt, non-profit organization, meaning it operates within the Internal Revenue Code 501(c)(3). One of the requirements to maintain 501(c)(3) is that an organization must file a Form 990, to be publicly available. This form includes information about the money coming in, the money going out, and corporate governance, to try and provide a level of transparency so they don't abuse their tax-exempt status.

When the independent, non-profit group CharityWatch looked over Planet Aid's 2011 990 tax form, it didn't like what it saw. According to CharityWatch's website:

“This charity consistently reports low overhead and high program spending in its annual financial documents, but a closer analysis by CharityWatch reveals a different picture of how efficiently Planet Aid is operating. Planet Aid reports spending 84% of its expenses on programs in 2011. CharityWatch's analysis of Planet Aid's 2011 tax form and audited financial statements shows the charity spending only 29% of its expenses on programs.”

There are several reasons for the discrepancy between what Planet Aid reports and what CharityWatch suggests.

According to Planet Aid's website, “Our clothes collection boxes can be found across many major metropolitan areas of the United States, helping to save resources and lessen environmental impacts by reducing waste. Planet Aid supports community-based projects that improve health, increase income, aid vulnerable children, train teachers, and enhance the overall quality of life for people across the globe.”

The idea would seem two-fold. To help the environment, and to help the less fortunate. In Planet Aid's tax filings, they report \$20 million was spent last year in collecting and processing the clothes. Planet Aid conveniently accounted for these as program expenses and not fund-raising expenses. Additionally, the implied suggestion is that these clothes would of ended up in a landfill, and the avoidance of such should be classified as “recycling.” While the Environmental Protection Agency does not over a specific or concrete definition of terms such as “recycling” or “reuse,” the use of terms like these by Planet Aid could be considered thin, at best. It also neglects to recognize, and makes a broad assumption, that if the donated clothing didn't end up in one of their bins that it would of landed up in a landfill. With numerous other operations that deal in secondhand goods, people clearly have more then a choice between Planet Aid or the dump.

One thing that is certain, is that the majority of clothing donated does not stay in the local area. According to Planet Aid's Public Relations Manager Tammy Sproules, once the clothing is picked up from a donation bin, it gets shipped to one of 14 warehouses throughout the country. And from there?

"Most of the clothing donated to Planet Aid gets sold directly to overseas customers," Sproules explains, via email.

One might believe that even if the clothes themselves don't stay local, or the money generated doesn't go back into the community the clothes are coming from, at least they are doing some good, somewhere. Right?

Maybe.

The interesting thing about non-profits in the United States is that there is no mandatory number or percentage of revenue that must go towards charity. Who these charities are, what good is coming of it, real information about any impact made is scarce and hard to come by. As Boyd suggested as well, with groups such as Planet Aid, it is difficult to follow where the donations go. And Boyd is not without reason for pause.

Over the last several years, many local governments have become wary of Planet Aid's yellow boxes popping up in their area. Eyebrows began raising after a man was arrested in February of 2002 in Los Angeles, during a layover from Miami, on a flight bound for Denmark. That man was Mogens Amdi Petersen, head of the controversial Tvind group. Tvind being the name of the school Petersen founded in Denmark in 1970.

You might be asking yourself, "Wait. How did we go from talking about those clothing donation boxes, to a school staring in Denmark over 40 years ago?"

This is where things get interesting. And complicated.

It has been alleged by various media, and governments, throughout the world that Tvind operates a large, international organization that in addition to being behind companies like Planet Aid, sets up phony companies to collect grant money, and the upper management (referred to as the Teachers Group) embezzled most of the money they brought in through various humanitarian projects. When Petersen was arrested in the U.S., he was wanted by Interpol, and the Danish government had been working in connection with the F.B.I. to try and secure his arrest. Before getting picked up, Petersen had not been seen in public in 22 years.

Subsequently, Petersen and seven other members of the Teachers Group were tried in Denmark for tax evasion and embezzlement. Out of the eight brought before the court, seven (including Petersen) were acquitted. Only Sten Byrner, a financial director within Tvind, was found guilty of fraud. In Denmark, unlike in the United States, if a prosecutor loses a case and the defendant is acquitted they can appeal to a higher court. The stipulation is that the person who was acquitted must be served the papers in person, and in the 12 days between the original verdict and the filing, most of those acquitted are said to have left Denmark. Poul Jørgensen, a high ranking member of the Teachers Group, was later found in Denmark, retried, and found guilty and served two and a half years. Tvind accountant Marlene Gunst was served papers at Heathrow Airport in London as she traveled between Mexico and England.

Again, what does this have to do with the old T-shirt you want to donate?

There are two documents that associate Planet Aid with Tvind. The first is the mention of Planet Aid in an FBI memo obtained from the Tvind watchdog site www.tvindalert.com. In that document between the legal attache in Copenhagen and the Investigative Service in Miami, where Petersen had been living, states, "Secondly, TVIND derives income from the creation of Developmental Aid Organizations. Money is raised by the collection of used clothes. The clothes are recycled and sold in third world Countries. The proceeds are sent to Charitable trust funds established in Off Shore tax havens. A number of these groups are operating in the United States. They include: UFF, Development Aid from People to People, Humana People to People, Institute of International Cooperation and Development, and Planet Aid."

In another document provided by the same website, Denmark's prosecutors of the case against Tvind mention Planet Aid. An email between three of the defendants in the case states, "Now you are warned.(USD 110,000 is for the federation, and USD 60,000 is for GAIA's containers, but we take it via the federation to spare the Foundation, and then it is between the Federation/Planet Aid and GAIA we create a relation – we take it that is how you prefer it." The "federation" refers to Humana, People to People, and the "foundation" refers to The Foundation for the Support of Humanitarian Purposes, the Promotion of Research, and the Protection of the Natural Environment, both of which are extensions of the Tvind organization.

If you consider Planet Aid to be an anomaly, it is worthy to consider the operations of USAgain who have over 10,000 collection points in 17 states. The major distinction on the surface between the two is that where Planet Aid operates as a non-profit, USAgain is a for-profit company. But the same documents from the FBI and Danish prosecutors also mention USAgain as being a part of the Tvind empire. "The police material demonstrates that LG's activities in the period 1992-2001 had expanded far beyond pure school activities. In 1992 the organisation had the following productive activities:... In the United States the clothes are collected under the name of "USAagain".' The "LG" refers to an abbreviation of the Danish words for "Teachers Group." The CEO of USAgain is Mattias Wallander, who in an interview with KIRO 7 news in Washington, admitted he was a member of the Teachers Group, but separated himself from the legal issues in Denmark.

When asked via email for specific details of the process when the clothing given to USAgain, the representative from USAgain's public relations firm said, "The unwanted textiles collected in our bins are emptied by USAgain employees and taken to a regional warehouse where they are sorted and resold to the wholesale market."

USAagain's website states, "A portion of the proceeds generated by each bin benefits the host or a charity of the host's choice." When the same rep was asked about the host or charities, he replied stating, "More than 1,000 organizations – including schools, churches, food banks, hospitals, fire stations, humane societies and youth groups receive funds as a part of USAgain's charitable giving program." Pressed for specifics, the best he could offer was the \$35,000 they had given to the Children's Miracle Network in the first 9 months of this year.

When asked who owns USAgain, the best answer I was given was, "USAagain is a private, independently owned company incorporated in Delaware and registered to do business in PA."

At least in part, what makes it difficult to verify the truth is a lack of resources. And not just on a national or international level.

Earlier this year the executive director of the Philadelphia Society of St. Vincent de Paul, Carey Roberts, was arrested on charges of theft, bad checks and receiving stolen property for embezzling funds from the organization to pay for personal expenses. The discovery was made by former the society's former chairman of the board, Dominic Visco. As Visco went through the books, he also discovered the charity is behind \$236,000 in unpaid real estate taxes to the city of Philadelphia, and owes tens of thousands for unpaid state, federal and city wage taxes.

When St. Vincent de Paul was contacted about their clothing donation boxes for inclusion in the story, the President of the Council of Philadelphia, Larry Huber, said, "Thanks for your interest. We are in a period of transition because of the situation brought about by our former Executive Director," before directing me to those in the organization who could be of assistance. As of this time, they have not yet responded.

In the St. Vincent de Paul case, it seems likely to be the doing of a bad seed ,and not representational of a bad apple. However, much like with the case of Tvind, how much was diverted may not ever be known, due to complexities, willing witnesses and the lack of expertise, manpower and finances, to complete a

thorough investigation by police.

In the past several years, many local governments have become aware of these details and made attempts to bring a heightened awareness to the public. In Philadelphia, a bill was introduced by Councilwoman Tasco in 2008 that would have required a permit for anyone wanting to place a drop-off bin. This was in response from constituents who felt the boxes weren't being properly maintained, but between the time the bill was introduced and when it went to the Committee on Licensing and Inspections, several things occurred. First was when the owners of the donation boxes were contacted, they came out and removed them. Secondly was the fact that most of the businesses were located on private property and the owners had in fact given permission for them to be placed there. Then the city realized the dilemma of trying to license and regulate bins on private property that were in fact there with owners permission. This, coupled with the removal of ones deemed problematic, seemed to resolve the issue. A clothing donation box owner must simply follow the City of Philadelphia's Title 9: Regulation of Businesses, Trades and Professions. According to one city official, they have had no complaints since.

However, in the New Jersey State Senate, legislation has taken place on the state level. When Bill 597 was signed into law in 2007, it included provisions that only registered charitable organizations could obtain a permit to put a clothing bin out, and that each bin must include the owner's name, and the name of any charity or organization that would receive proceeds from the donations. Goodwill Industries of New Jersey and Philadelphia, was a major proponent of a bill.

Often times when trying to get a straightforward answer from Planet Aid and USAgain about the thousands of groups they have given to, or who owns them, I was instead given voluminous information about the environment, or how they have helped, with no concrete or detailed answer to my question.

It is important to know that while there may be questions about how they conduct their business, it is important to note that the businesses themselves are not illegal in nature. It seems that used clothing donation boxes were initially used by local and altruistic operations such as Goodwill and the Salvation Army. At some point, once the general public had been conditioned about the boxes purpose, enterprising entrepreneurs stepped in and began their for-profit operations. Responding to pressure, they are now minimally obliging to find a place on their website and/or donation bins to convey they are in fact a for-profit enterprise, but with certainty, they continue to prey on people's ignorance.

So where do you put that old sweatshirt? At the end of the day it is up to you. However, the best decisions are made when you have all the information.

Boyd seems to sum it up well when he points out, "Goodwill is the largest employer of people with disabilities in the world. We take people with disabilities and give them a job. In this area. I just want people to know that." But it is not about making his operation look good. "But forget Goodwill. If you give that donation to Salvation Army I know exactly what they are going to do with it. It goes directly to their rehabilitation programs. They help people with substance abuse issues. And all of their donations that go to their stores, that's what their stores are dedicated to. Who can complain about that mission?"