

Nonprofit Ethical Case:

**Paying for the Crime Without Any Time:
Lithuanian Assistance Foundation Reaches \$7M Settlement
for Self-Dealing**

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NPA 601: NONPROFIT ETHICAL LEADERSHIP

Spring / 2021

Prof. Marco Tavanti. Ph.D.



Summary

The Lithuanian Assistance Foundation was formed in Santa Monica, CA in 1991-soon after Lithuania gained their independence from the USSR.

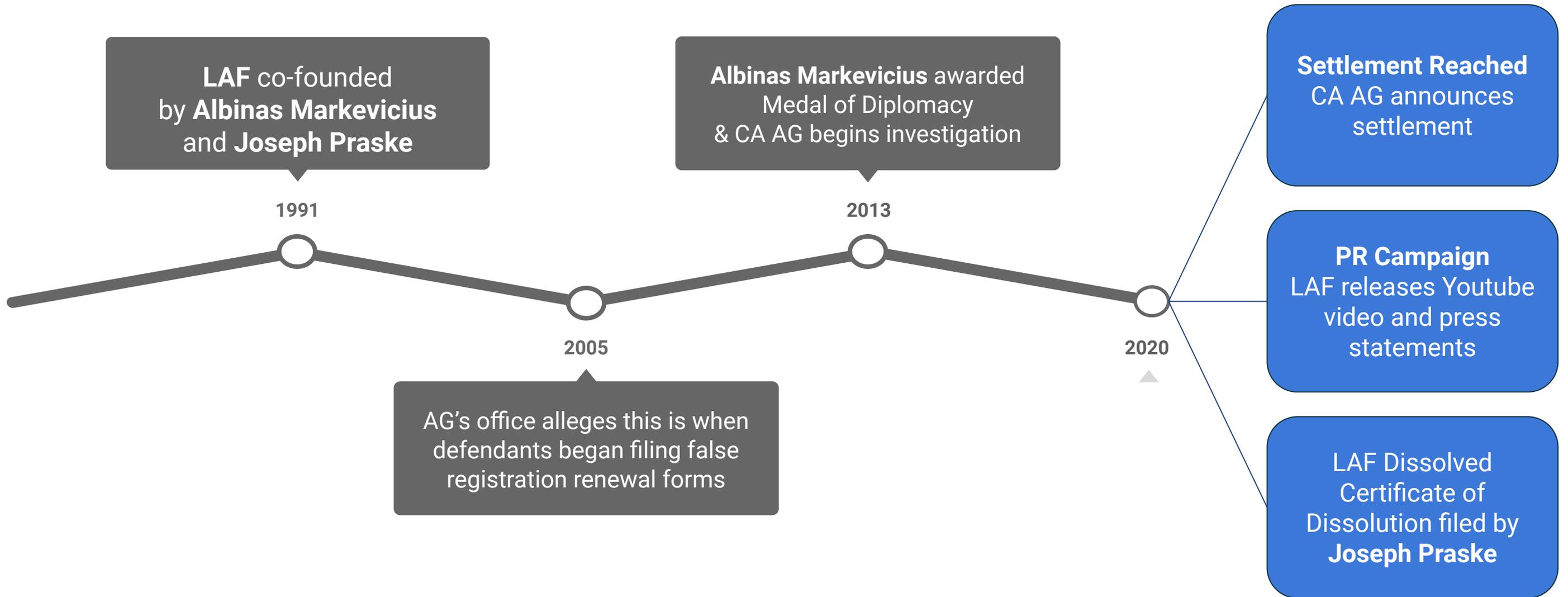
In recent years, an investigation by the Office of the Attorney General of California found that members of the LAF Board used their positions to improperly transfer donated real estate, thereby enriching themselves and depriving the nonprofit of its proper assets.

Last summer, the AG announced a settlement that was reached which included:

- \$7M paid by LAF, its directors, and its officers
- dissolution of LAF
- some individuals banned from serving on nonprofit boards in the future
- some individuals required to complete board training

The settlement avoided a long, costly litigation and ensured the intended beneficiaries of the funds would receive them, but the ethical question remains: is that enough?

Timeline



LAF's Mission

B. The specific purpose of this corporation is to engage in the solicitation, receipt and administration of property and from time to time to disburse such property and income therefrom (1) for the benefit of those people living in Lithuania or of Lithuanian descent who are orphaned, handicapped, aged, or sickly; (2) for the provision of medical equipment, supplies or training for the Lithuanian people; and (3) for the provision of collegiate scholarships and student aid for the people of Lithuania, or other charitable purposes, in accordance

181054

ARTICLES OF INCORPORATION

of

LITHUANIAN ASSISTANCE FOUNDATION

**ENDORSED
FILED**
In the office of the Secretary of State
of the State of California

NOV 12 1991

MARCH FONG EU, Secretary of State

ARTICLE I. NAME

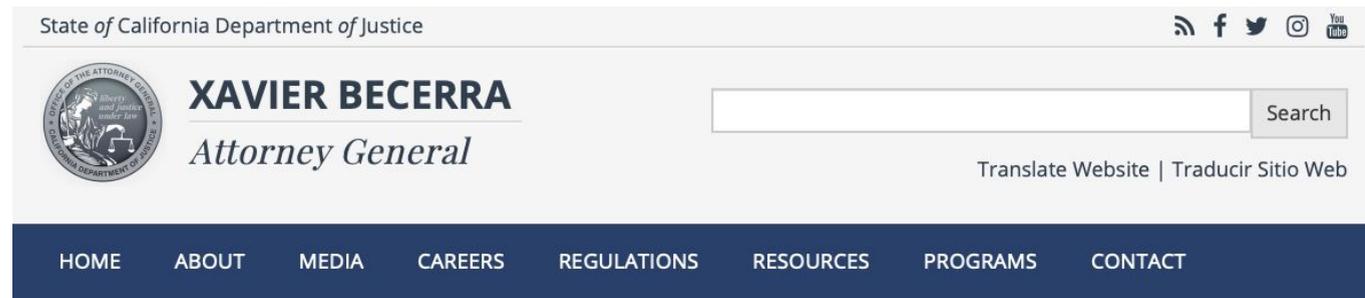
The name of this corporation is LITHUANIAN ASSISTANCE FOUNDATION

ARTICLE II. PURPOSES

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to engage in the solicitation, receipt and administration of property and from time to time to disburse such property and income therefrom (1) for the benefit of those people living in Lithuania or of Lithuanian descent who are orphaned, handicapped, aged, or sickly; (2) for the provision of medical equipment, supplies or training for the Lithuanian people; and (3) for the provision of collegiate scholarships and student aid for the people of Lithuania, or other charitable purposes, in accordance with Section 501(c)(3) and Subchapter A of Chapter 42 of Subtitle D of the Internal Revenue Code of 1986 (or any corresponding provision of any future United States Internal Revenue Law), as the board of directors of this corporation shall from time to time determine.

AG Announces Settlement



Attorney General Becerra Announces \$7 Million Settlement Against Lithuanian Assistance Foundation for Illegal Self-Dealing Transactions

Press Release / Attorney General Becerra Announces \$7 Million Settlement Aga...



Thursday, July 2, 2020

Contact: (916) 210-6000, agpressooffice@doj.ca.gov

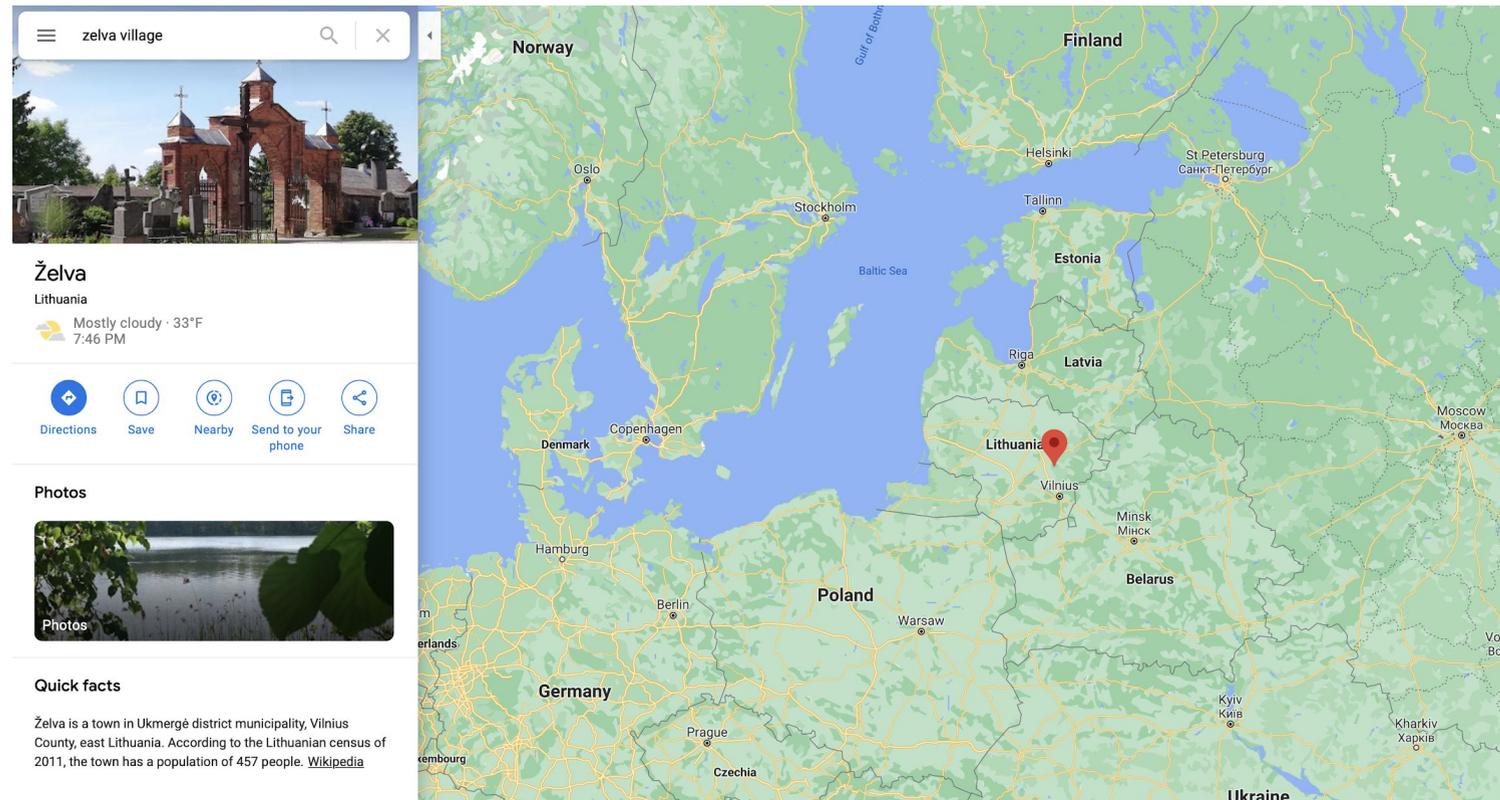
SACRAMENTO – California Attorney General Xavier Becerra today announced a \$7 million settlement against the Lithuanian Assistance Foundation (Foundation), its directors and officers Albinas Markevicius, Joseph Praske, Zina Markevicius and Arunas Sodonis, and associated companies RME LLC and Washington Shores LLC. The settlement resolves allegations that the officers and directors either engaged in or authorized illegal self-dealing transactions, unjust enrichment, and breach of fiduciary duty by improperly transferring charitable assets to individuals who were related to, or associated with, the charity's officers and directors, in addition to other wrongdoings.

"The people of California should be able to trust that their generous donations are going towards their intended purposes. The directors and officers of this foundation knowingly used their roles to deceive donors and divert millions of dollars in charitable assets from the organization they were responsible for safeguarding," **said Attorney General Becerra**. "With this settlement, we are holding the directors and officers of Lithuanian Assistance Foundation accountable for their wrongdoings and getting misdirected funds back to charity."

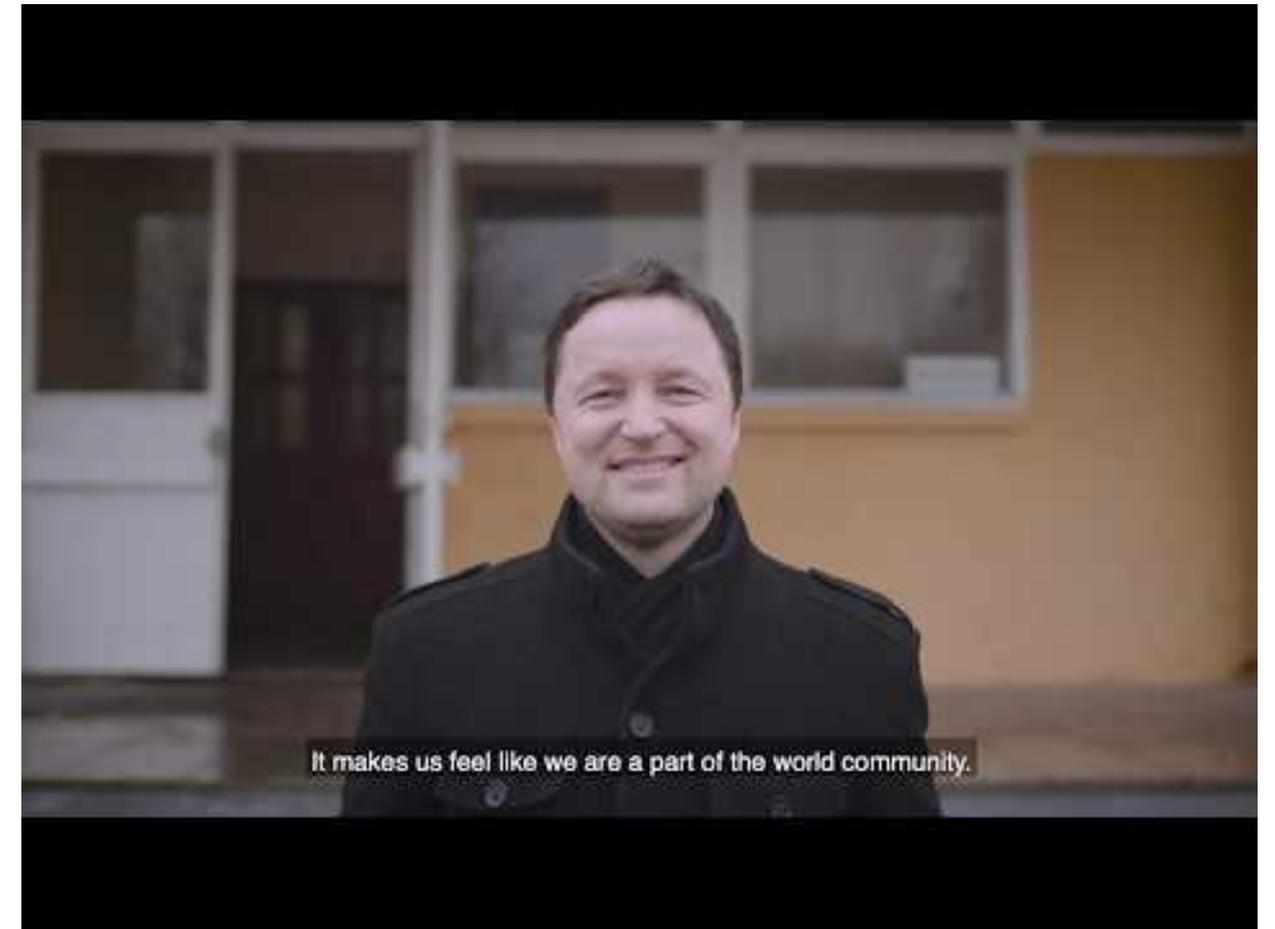
<https://oag.ca.gov/news/press-releases/attorney-general-becerra-announces-7-million-settlement-against-lithuanian>

- Settlement filed against **LAF**, its directors and officers: **Albinas Markevicius, Joseph Praske, Zina Markevicius, and Arunas Sodonis**, and associated companies **RME LLC** and **Washington Shores LLC**
- Officers and directors engaged in/authorized **illegal self-dealing transactions, unjust enrichment, and breach of fiduciary duty**
- Damages to LAF exceeded **\$6M**

LAF's Zelva Village Rehabilitation Program



<https://www.google.com/maps/place/Želva,+Lithuania/@52.7559697,24.5476658,5.35z/data=!4m5!3m4!1s0x46e78f673fd55d67:0x2600d18d4c444cd1!8m2!3d55.2186369!4d25.1004961>



Uploaded to LAF's YouTube channel July 02, 2020

Dissolution of LAF

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RECEIVED
Attorney General's Office
JUL 27 2020
Registry of Charitable Trusts

July 17, 2020

California Attorney General's Office
Registry of Charitable Trusts
PO Box 903447
Sacramento, CA 94203-4470

Re: Lithuanian Assistance Foundation

I am the attorney, and one of the directors, for Lithuanian Assistance Foundation. By this letter, we request a dissolution waiver from the Attorney General's office before disposing of any remaining assets.

The remaining funds of the charity consist only of cash in a credit union account, and the total amount is less than \$1000. We intend to distribute those funds to California Community Foundation, 221 S. Figueroa St. No. 400, Los Angeles, CA 90012, (213)413-4130, FEIN 95-4774698, SOS # 2205284. The funds will be distributed upon receipt of your approval.

Attached are our IRS filings for the last 3 accounting periods, Forms 990-n. Because we filed 990-n, also attached are financial statement showing receipts, disbursements and balance sheets for these accounting periods, as well as the current incomplete accounting period.

The endorsed filed copy of articles of incorporation for both our organization and the intended recipient organization are not attached because they are located on your website.

Feel free to contact me if you have any questions.

Sincerely,



 Secretary of State		DISS NP
Nonprofit Certificate of Dissolution (California Nonprofit Corporation ONLY)		
IMPORTANT — Read instructions before completing this form. There is No Fee for filing a Nonprofit Certificate of Dissolution Copy Fees — First page \$1.00; each attachment page \$0.50; Certification Fee - \$5.00 plus copy fees Attorney General Letter: All nonprofit public benefit and religious nonprofit corporations are required to get a letter from the California Attorney General's office waiving objections to the nonprofit corporation's distribution of assets, or confirming the nonprofit corporation has no assets. If your corporation is a public benefit or religious corporation, you must attach that letter to this Nonprofit Certificate of Dissolution (see instructions).		
1. Corporate Name (Enter the exact name of the nonprofit corporation as it is recorded with the California Secretary of State.) Lithuanian Assistance Foundation		This Space For Office Use Only 2. 7-Digit Secretary of State File Number 1810554
3. Election <input checked="" type="checkbox"/> The dissolution was made by a vote of ALL of the members, or if there are no members, by a vote of ALL of the directors of the California nonprofit corporation. Note: If the above box is not checked, a Nonprofit Certificate of Election to Wind Up and Dissolve (Form ELEC NP) must be filed prior to or together with this Nonprofit Certificate of Dissolution. (California Corporations Code sections 6611, 8611, 9680 and 12631.)		
4. Debts and Liabilities (Check the applicable statement. Only one box may be checked. If second box is checked, you must include the required information in an attachment.) <input checked="" type="checkbox"/> The known debts and liabilities have been actually paid or paid as far as its assets permitted. <input type="checkbox"/> The known debts and liabilities have been adequately provided for in full or as far as its assets permitted by their assumption. Included in the attachment to this certificate, incorporated herein by this reference, is a description of the provisions made and the name and address of the person, corporation or government agency that has assumed or guaranteed the payment, or the depository institution with which deposit has been made. <input type="checkbox"/> The nonprofit corporation never incurred any known debts or liabilities.		
5. Required Statements (Do not alter the Required Statements — ALL must be true to file Form DISS NP.) a. The nonprofit corporation has been completely wound up and is dissolved. b. All final returns required under the California Revenue and Taxation Code have been or will be filed with the California Franchise Tax Board. c. For Mutual Benefit or General Cooperative Corporations ONLY: The known assets have been distributed to the persons entitled thereto or the nonprofit corporation acquired no known assets.		
6. Read, Verify, Date and Sign Below (See Instructions for signature requirements. Do not use a computer generated signature.) The undersigned is the sole director or a majority of the directors now in office. I declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of my own knowledge.		
6-30-2020 Date	 Signature	Albinas Markevicius Type or Print Name
6-30-2020 Date	 Signature	Joseph Praske Type or Print Name
6-30-2020 Date	 Signature	Arunas Sodonis Type or Print Name

Compliance



Fiduciary Duty | Ethics Defined

- Breached fiduciary obligation
- Four real estate properties donated to the Foundation for the benefit of the Lithuanian community
 - LAF did not disclose the donations of the four properties
 - Properties improperly transferred to members of the board, their relatives, and employees at prices below fair market value
 - LAF did not disclose the transfer of the four properties
- LAF also allegedly filed false registration renewal forms from 2005-2013

Individual Responsibility

- **Albinas Markevicius** and **Joseph Praske**, the co-founders of LAF, are high profile businessmen in Santa Monica - Markevicius is a relator with his own firm who also started a credit union, while Praske is a tax and estate planning attorney. Both have the knowledge and experience to know they had a conflict of interest
- Board member **Zina Markevicius** should have declared a conflict, as she is the daughter of a person who stood to gain from the real estate sale.
- Which leaves one Board member, **Arunus Sodonis**, who is also an attorney and should have foreseen that these transitions were ill-advised at best.



Albinas and Zina Markevicius | 2013

Organizational Responsibility

- Board Education: ensure awareness of legal and ethical responsibilities
- Policies and Procedures
 - ensure conflicts of interest, or the appearance of, is appropriately managed through disclosure or recusal
 - empower individuals to come forward with information about violations of policy/illegal activities

Systemic Responsibility

There are federal and state agencies and laws that govern nonprofits. These should not be ‘toothless bulldogs’ - when they catch bad actors, there should be serious consequences.

- **It undermines faith in the system** - cases like this may make individuals more hesitant to donate to nonprofits in the future, and it may have an especially outsized impact on the likelihood of people choosing to leave real estate as a legacy gift.
- **It might be worth the gamble (if you’re that kind of person)** - it is unclear how the Attorney General caught wind of this particular transaction, but the consequences were not that severe. No one went to prison, no one had their professional license revoked, and the IRS took little interest. It is conceivable that this had been going on for years - after all, who takes a chance on a multi-million dollar property for their first act of self-dealing?
- **Who’s *not* getting caught?** - Staff and funding for the IRS Charities Bureau has not kept pace with the growth of 501 (c)3 organizations and many high-profile cases of unethical nonprofit leadership have emerged in the last few years. We are increasingly seeing how wealthier members of society are able to use nonprofit tax benefits to their own advantage.
- As the United States continues to grapple with judicial and economic inequalities, it might be time for a reckoning on how the nonprofit sector is contributing to systemic injustice and the widening wealth gap

Stakeholder Analysis

- Stories related to the dissolution of their foundation are easy to find online - **Albinas Markevicius** and **Joseph Praske** may suffer from tarnished reputations
- However, **Albinas** and **Zina Markevicius** continue to run their Real Estate firm where they highlight their involvement in the community and how they are helping seniors during the pandemic
- Overall, they escaped lightly:
 - Settled out of court
 - Avoided prison time
 - Mounted a PR campaign to recover reputations



Albinas Markevicius, President of Roque & Mark Co., donates vacant lot for Urban Garden Project in conjunction with Upward Bound House
COMMUNITY



Roque & Mark Co. recently donated a piece of vacant land on Yale Street near Santa Monica Blvd. to be used in an urban garden...

[READ MORE →](#)

Zina Markevicius, Vice President of Roque & Mark Co. Mobilizes the Community to Help Seniors in Need
COMMUNITY

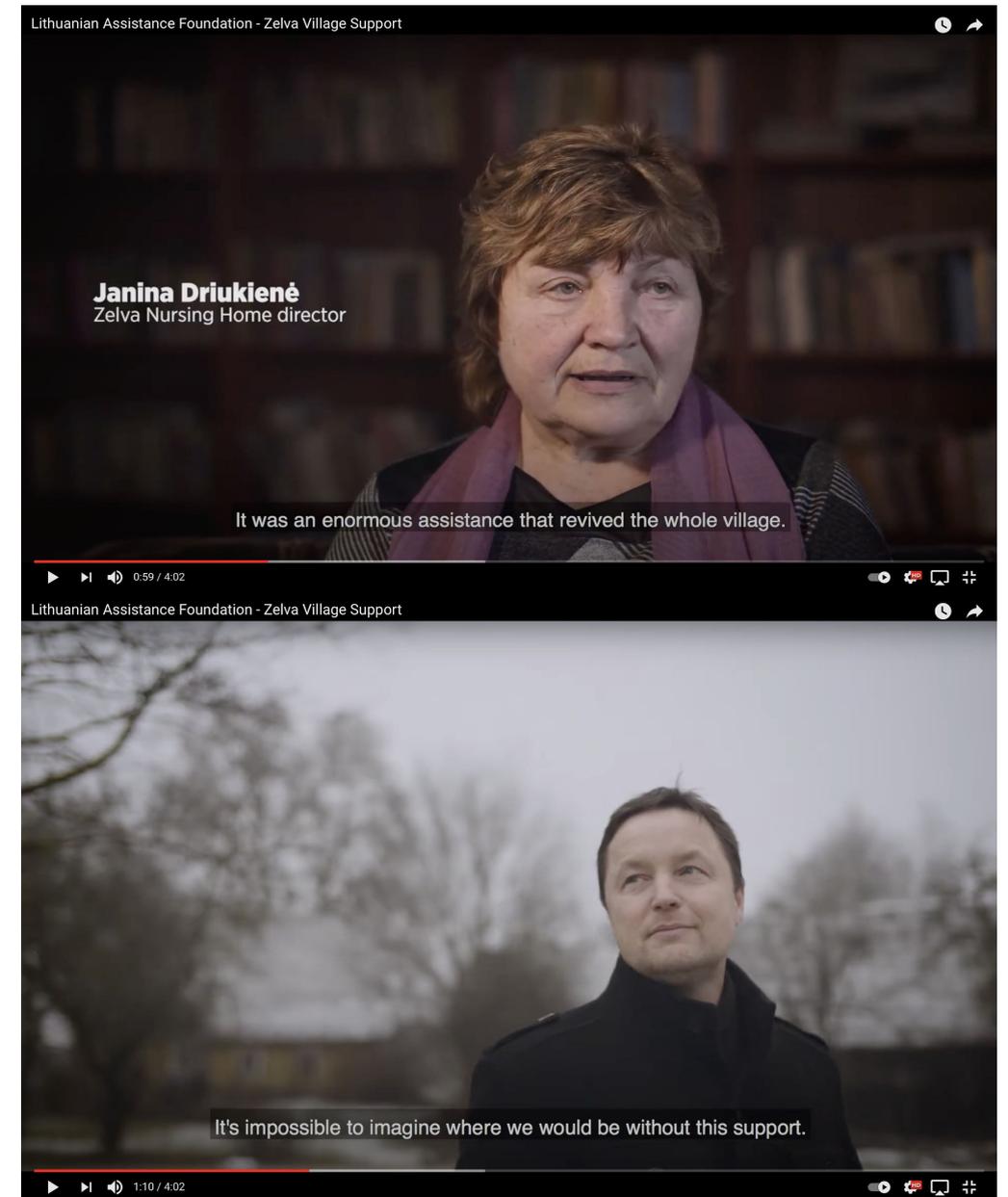


Zina Markevicius, Vice President of Roque & Mark, along with the help of the company staff, have organized a social action campaign to deliver donated...

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Stakeholder Analysis

- **Lithuanian Community:** though misappropriated funds will ultimately find their way to the intended beneficiaries through the settlement, the dissolution of the organization is a loss. If they continued to exist, it is likely they would have continued raising funds and contributing to their chosen cause for years to come.
- **Nonprofit Sector:** Press around unethical dealings among board members and directors furthers distrust among the public - donors and supporters will worry where their assets are going - forces other organizations to increase transparency



Remedies

For nonprofits:

- Create Policies and Procedures to Safeguard Against Wrongdoing:
 - Should be reviewed and updated regularly.
 - Safeguard assets from being improperly diverted by those in positions of power.
 - Whistleblower Policy, Audit Policy, Conflict of Interest Policy.
- Foster a Culture of Ethical Compliance:
 - Along with these important safeguards, create an organizational culture that encourages everyone to speak out against wrongdoing.
 - Lead by example and talk openly about ethical decision-making.

For regulators:

- Ensure that wrongdoers receive more than a slap on the wrist.
- Ensure that government agencies that oversee the nonprofit sector have the resources to do their work.

Questions

1. Board members have a fiduciary duty to act in the best interests of the nonprofit they serve. How did the Board members of LAF fail in this duty?
2. Board members serve as volunteers, donating their time and talent to the nonprofit. Why should they not be able to benefit from transactions with the organization?
3. How did this case affect the Lithuanian Assistance Foundation?
4. What were the consequences for the intended beneficiaries of the foundation?
5. How might this case affect trust in the nonprofit sector?
6. The settlement was not an admission of guilt, and the Board members involved will not serve time in prison or have a criminal record. How does this reflect on the criminal justice system as a whole?
7. The settlement ensured that lengthy litigation was avoided and the beneficiaries of LAF's funds were provided for. Would a utilitarian think that this resolves the ethical issue?

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