

US 'Dark Money' Donor Groups Accuse Each Other of Abusing System

- Conservative group calls on IRS to investigate Eric Kessler
- Liberal group called for similar probe of Leonard Leo in April



The Internal Revenue Service headquarters in Washington, DC.

Photographer: Al Drago/Bloomberg

By [Emily Birnbaum](#)

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A conservative group accused the founder of a liberal “dark money” network of abusing tax-exempt status to steer more than \$228 million in fees to his for-profit consulting firm, echoing allegations made against a right-wing activist in April.

Americans for Public Trust on Tuesday sent a [letter](#) to the Internal Revenue Service, asking it to investigate Arabella Advisors founder Eric Kessler for improperly taking for his and his firm’s benefit money donated to nonprofit groups Kessler founded. According to the letter, which was shared with Bloomberg News, the amount paid to Arabella over nearly two decades exceeded the market value of any services the firm may have provided.



The Internal Revenue Service headquarters in Washington, DC. *Photographer: Andrew Harrer/Bloomberg*

A spokesperson for Arabella called the accusations “meritless” and said its fees were fair. Kessler couldn’t be reached for comment.

The letter comes a few months after Campaign for Accountability, a watchdog group launched by one of the funds in Kessler’s network, likewise called for the IRS to investigate conservative activist Leonard Leo, a [key architect](#) of the right-leaning Supreme Court majority, over his receipt of \$73 million from nonprofits in his network between 2016 and 2021. At the time, Leo said the fees were justified and said the IRS should be investigating Arabella.

The IRS didn’t respond to requests for comment on Leo and didn’t immediately respond to a request for comment on Kessler.

Though the allegations about Leo and Kessler are partisan, legal experts say the concerns they raise have been taken seriously by the IRS in the past. Jeffrey Tenenbaum, a lawyer specializing in representing nonprofits, declined to comment on the specific allegations but said the IRS has a history of cracking down on abuse of tax-exempt status for “private inurement” and “private benefit.”

Administrative Services

Americans for Public Trust is largely funded by DonorsTrust, a conservative donor-advised fund that gave \$17 million to Leo-founded group in 2021, and also pays consulting fees to Leo’s firm, CRC Advisors, which Leo has said was modeled after Arabella. But Caitlin Sutherland, executive director of

Americans for Public Trust, said the group is completely independent. Campaign for Accountability became independent in 2017.

According to Americans for Public Trust, two Kessler-founded nonprofits – the Sixteen Thirty Fund and the New Venture Fund — said in tax filings that they would rely on Arabella for administrative services only until they raised enough money to stand on their own. But those nonprofits continued to pay Arabella significant amounts of money, according to Americans for Public Trust.

Americans for Public Trust called on the IRS to revoke the nonprofit status of Kessler-affiliated entities if it found they paid above market value for advisory services.

“Dark money” refers to the unlimited and anonymous donations political nonprofits can use to influence elections. Dark money networks have ballooned over the last few years as Democrats and Republicans take advantage of a 2010 Supreme Court decision that enabled corporations — including political nonprofits — to spend money to influence elections as long as they don’t coordinate with candidates. Groups funded by dark money on the right and the left have increasingly accused one another of financial impropriety.

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Kessler founded Arabella in 2006 and has become perhaps the leading figure in Democratic “dark money” circles. The Sixteen Thirty Fund, a nonprofit created by Arabella, financed 2020 attack ads against then-President Donald Trump and, before that, his Supreme Court nominees. The group was also the second-largest donor to 2020 super PACs backing Joe Biden and Senate Democrats, and an Arabella-affiliated nonprofit, the Windward Fund, gave millions to voting-rights groups, including one led by Stacey Abrams in Georgia.

The New Venture Fund has ballooned into one of the most important dark-money nonprofits funding liberal causes, raising nearly \$1 billion in 2020 and again in 2021. According to the complaint, it paid Arabella over \$166 million from 2006 to 2021. The Sixteen Thirty Fund, which raised nearly \$400 million in 2020, allegedly paid Arabella over \$24 million from 2009 to 2021.

Steve Sampson, head of marketing and communications at Arabella, said the consulting firm is “dedicated to making philanthropic work more efficient, effective and equitable.”

“We are compensated in exchange for a series of robust administrative and operational services, including HR, compliance, accounting, and grants management, and our success over the years is a

testament to the services and expertise we provide,” Sampson said. He added that the company regularly compares its fees to other firms to “ensure our clients are getting the best value.”

Lee Bodner, president of the New Venture Fund, said the organization donates to charitable causes. He said New Venture Fund’s relationship with Arabella is “appropriate” and the firm is only one of the fund’s vendors.

Kessler founded each of the nonprofits and previously served as the president and chairman of each group’s board of directors. He no longer holds those roles, but remains a board member of Arabella.