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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

UNITED STATES OF AMERICA,

v.

YISROEL GOLDSTEIN,

Defendant.

Case No. 20CR1916-BAS

INFORMATION

18 U.S.C. § 371 – Conspiracy to Defraud
the United States and Commit Wire Fraud

18 U.S.C. § 981(a)(1)(C), 28 U.S.C.
§ 2461(c) – Criminal Forfeiture

The United States Attorney charges, at all times material:

Background

A. Charitable Giving and the Chabad of Poway

1. Defendant YISROEL GOLDSTEIN was the Director of the Chabad of Poway (“the Chabad”), a religious congregation and community organization located in Poway, California. Chabad is an Orthodox Jewish Hasidic movement that provides outreach, humanitarian aid, and educational activities around the world.

2. Defendant established the Chabad of Poway in 1986 and served as the Director and head rabbi of the organization until 2018. Defendant also established several non-profit entities affiliated with the Chabad, including the Friendship Circle of San Diego and

1 Congregation Bnei Yisroel. Some of the non-profit entities Defendant established provided
2 services to the community, but others were non-functioning shell entities that existed
3 primarily on paper or simply as bank account holders. Defendant used bank accounts held
4 by these entities to conceal his illegal financial transactions and avoid detection by other
5 Chabad officials, from the IRS, and from law enforcement.

6 3. Public charities organized and operated for exclusively religious, charitable,
7 education, or other approved purposes, are exempt from federal taxation pursuant to Title
8 26, United States Code, Section 501(c)(3). To promote charitable giving and advance the
9 work of approved public charities, the Internal Revenue Service (“IRS”) allows individuals
10 who donate money to public charities to reduce their own taxable incomes by deducting the
11 amounts of their donations given, and thus to reduce their personal income taxes. While
12 this policy comes at the cost of reducing government revenue, it is designed to have the
13 benefit of increasing charitable giving, thereby benefiting the important humanitarian,
14 educational, religious, and other worthwhile causes that public charities serve.

15 4. The Chabad of Poway is a public charity registered with the IRS as a tax-
16 exempt organization. Individuals who donate money to the Chabad may therefore reduce
17 their own taxable incomes by deducting the amounts of their donations given, and thus
18 reduce their personal income taxes.

19 5. To claim a tax deduction of \$250 or more, a donor to a tax-exempt public
20 charity must obtain and keep a written acknowledgment or receipt from the charity to
21 document the contribution. The Chabad therefore generated donation receipt letters,
22 typically signed by Defendant, documenting the amount of a donor’s contribution and
23 specifically noting that the donation is “tax deductible.”

24 B. Disaster Recovery and Emergency Relief Funds

25 6. The Federal Emergency Management Agency (“FEMA”) is a federal agency
26 designed to coordinate disaster recovery efforts and provide equipment and resources
27 necessary to alleviate the impacts of an emergency. FEMA helps coordinate responses to
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1 disasters that overwhelm the resources of state and local authorities, and provides assistance
2 to those impacted before, during, and after a disaster.

3 7. The California Emergency Management Agency (“Cal EMA”) (later renamed
4 and now known as the California Governor’s Office of Emergency Services, or “Cal OES”)
5 oversees and coordinates emergency preparedness, response, and recovery throughout
6 California. Cal EMA and Cal OES fund programs to prepare for and defend against
7 emergencies, and to assist with relief and recovery efforts after a disaster.

8 8. Both FEMA and Cal EMA provided grants, aid, and other funds to the Chabad
9 for various programs over the years. For example, in 2010 and 2011, both FEMA and
10 Cal EMA provided hundreds of thousands of dollars in aid in response to the October 2007
11 wildfires in Southern California, including funds to assist the Chabad to recover from
12 reported damage to its facilities and replace books, furniture, kitchen supplies, and other
13 items reportedly lost in the wildfires. In addition, in 2012, and 2017 to 2018, Cal EMA,
14 Cal OES, and FEMA provided tens of thousands of dollars in grants to pay for security
15 systems and other facilities upgrades for nonprofit organizations affiliated with the Chabad.

16 The Conspiracy

17 9. Beginning at least around early 2010, and continuing through October 2018,
18 within the Southern District of California and elsewhere, Defendant YISROEL
19 GOLDSTEIN knowingly and intentionally conspired and agreed with others to: (1) defraud
20 the United States for the purpose of impeding, impairing, obstructing, and defeating the
21 lawful functions of the Internal Revenue Service in the ascertainment, computation,
22 assessment, and collection of revenue; and (2) to commit wire fraud in violation of Title 18
23 United States Code, section 1343; all in violation of Title 18, United States Code, Section
24 371.

25 10. The purpose of the conspiracy was to fraudulently obtain hundreds of
26 thousands of dollars for the co-conspirators’ personal use and benefit by using false
27 information and fabricated records to pretend to be eligible for tax deductions, emergency
28 funds, grants or donations, and private loans.

1 Manner and Means of the Conspiracy

2 11. To further the conspiracy, Defendant and his co-conspirators used the
3 following manner and means, among others:

4 a. Defendant would solicit and receive money or items of value from
5 taxpayers E.A., B.B., Y.S., B.M, associates of A.A., and others, disguised as
6 charitable or religious donations, paid to Defendant, the Chabad, or another of
7 Defendant’s entities. In return, Defendant, his office administrator J.N., and others
8 would generate receipts on Chabad letterhead acknowledging the co-conspirators’
9 fraudulent “generous tax deductible donation.”

10 b. Rather than using the purported donations for charitable purposes,
11 Defendant would secretly funnel approximately 90% of the funds back to the
12 purported donors, with Defendant keeping approximately 10% of the money.

13 c. The purported donors would falsely claim to the IRS that 100% of their
14 payments to the Chabad were tax-deductible charitable contributions, thereby
15 reducing their personal income tax obligations, without disclosing Defendant’s
16 kickback of the payments.

17 d. Employees of corporations with matching donation programs, including
18 J.E. and V.R., would give money disguised as charitable donations to Defendant, the
19 Chabad, the Friendship Circle of San Diego, or another of Defendant’s entities.
20 Using records of these payments and fraudulent receipts Defendant generated, the
21 employees would induce their employer corporations to make matching donations in
22 amounts equal to, or even greater than, the purported donations from the employee.
23 But instead of using the donations for charitable purposes, Defendant would secretly
24 funnel back the employees’ funds to the purported donors, allowing the employees
25 to evade income taxes and fraudulently inducing the employers to make unwarranted
26 corporate matching grants—which Defendant would keep.

27 e. Defendant would use Chabad bank accounts to assist others, including
28 M.G., to avoid taxes by hiding income. M.G. earned substantial freelance income

1 through payments made directly by his clients via check. Defendant would allow
2 M.G. to use a Chabad-affiliated bank account to secretly receive hundreds of
3 thousands of dollars in M.G.'s income, so that M.G. could avoid reporting that
4 income to the IRS. In return, Defendant would keep 10% of M.G.'s deposits for
5 himself. M.G. would use his 90% share of the money for his personal benefit, without
6 reporting any of that income to the IRS and without paying the income taxes due.

7 f. Defendant, along with San Diego-based real estate agent A.A. (who
8 operated fictitious businesses such as "Imagination Construction Company" and
9 other non-operational and unlicensed shell companies), M.S., and others, would
10 submit inflated or false claims, supported by fraudulent invoices, to obtain grants and
11 other benefits from FEMA, Cal EMA, Cal OES, and private foundations. They
12 represented that the funds were purportedly for improvements or repairs to the
13 Chabad's facilities or Chabad programing, but instead they secretly used at least a
14 portion of the grant funds for their personal benefit.

15 g. Defendant, A.A., and others would fraudulently obtain loan proceeds
16 from banks and mortgage lending businesses by submitting false and fraudulent
17 information in loan applications, and would fraudulently verify the false information
18 on behalf of one another.

19 h. Defendant would falsely certify that co-conspirators and associates of
20 A.A.'s had performed volunteer work at the Chabad or its affiliated entities, knowing
21 that they had not completed such work, so that those individuals could fraudulently
22 verify false claims to San Diego County courts that they had fulfilled criminal
23 sentencing requirements by performing required community service.

24 12. Throughout the conspiracy, Defendant worked with at least eighteen or more
25 taxpayers to assist them in fraudulently lowering their tax liabilities. Defendant accepted
26 fraudulent donations totaling at least \$6.2 million, resulting in tax losses to the IRS of at
27 least \$1.5 million. In addition, the other fraudulent schemes that were part of the conspiracy
28 resulted in loss to public grant programs and private foundations of at least \$550,000.

1 13. In furtherance of the conspiracy, between 2010 and 2018 GOLDSTEIN and
2 his co-conspirators took hundreds of overt acts, including the following:

3 a. On or about December 29, 2017, Defendant made two deposits totaling
4 approximately \$1,160,000 in fraudulent donations to the Chabad from co-conspirator
5 and Chabad member E.A. Although Defendant planned to secretly return most of the
6 money to E.A., he nevertheless provided a fraudulent donation receipt letter, which
7 Defendant intended would be used to fraudulently reduce E.A.'s tax liability for
8 2017.

9 b. On or about January 10, 2018, at E.A.'s request and to conceal and
10 disguise the source of this large fraudulent "donation," Defendant secretly funneled
11 E.A.'s funds back to E.A. by purchasing approximately 246 Suisse Fortuna 1-ounce
12 rectangular gold ingots, 246 Canadian Maple Leaf 1-ounce coins, and 246 American
13 Eagle 1-ounce coins (worth a total of approximately \$1 million) and delivering the
14 gold to E.A. Defendant kept approximately \$160,000.

15 14. In May 2018, Defendant arranged to accept a fraudulent \$50,000 donation
16 from "Individual A," with the intent of assisting Individual A to fraudulently lower his tax
17 liability, in exchange for a large fee. In June 2018, Defendant accepted an additional
18 \$50,000 cash from Individual A representing what Defendant believed were proceeds of
19 insurance fraud and provided 31 gold coins in exchange for the cash proceeds, again in
20 exchange for a large fee. In August 2018, Defendant offered to launder an additional
21 \$900,000 cash for Individual A by purchasing real estate, in exchange for a 20% fee.

22 15. On around October 17, 2018, Defendant learned that he was under federal
23 investigation when agents with the IRS and the Federal Bureau of Investigation executed
24 search warrants at his home and residence. On that date, agents alerted Defendant that they
25 had been investigating his tax evasion and other fraudulent activity for quite some time
26 (indeed, the investigation relating to Goldstein's tax fraud began as early as November
27 2016). Agents also informed Defendant that Individual A was in fact a federal law
28 enforcement officer working undercover.

1 16. After learning he was under investigation, Defendant took steps to warn certain
2 of his co-conspirators of the investigation, which allowed his co-conspirators to take steps
3 to conceal their tax evasion scheme.

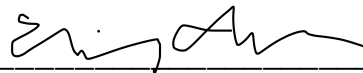
4 All in violation of Title 18, United States Code, Section 371.

5 Forfeiture Allegation

6 17. Upon conviction of the offense alleged in this Information and pursuant to Title
7 18, United States Code, Section 981(a)(1)(C), Title 28, United States Code, Section 2461(c),
8 and Rule 32.2, Federal Rules of Criminal Procedure, defendant YISROEL GOLDSTEIN
9 shall forfeit to the United States any property, real or personal, which constitutes or was
10 derived from proceeds traceable to such violation.

11 18. If any of the above-described forfeited property, as a result of any act or
12 omission of GOLDSTEIN, cannot be located upon the exercise of due diligence; has been
13 transferred or sold to, or deposited with, a third person; has been placed beyond the
14 jurisdiction of the Court; has been substantially diminished in value; or has been
15 commingled with other property which cannot be subdivided without difficulty, it is the
16 intent of the United States, pursuant to Title 21, United States Code, Section 853(p), made
17 applicable herein by Title 28, United States Code, Section 2461(c), to seek forfeiture of any
18 other property of the defendant up to the value of the property described above subject to
19 forfeiture.

20 ROBERT S. BREWER, JR.
21 United States Attorney

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23 EMILY W. ALLEN
24 OLEKSANDRA JOHNSON
25 ANDREW P. YOUNG
26 Assistant U.S. Attorneys

22 DATED: July 6, 2020