

Ex-President Accused of Using National Arts Club as Personal Piggy Bank

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An internal report commissioned by the NAC board substantiated many of the allegations about Aldon James.



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GRAMERCY - O. Aldon James used the National Arts Club as his personal piggy-bank during his 25-year reign as president, spending "thousands and thousands" on personal expenses, according to an internal report obtained by DNAinfo.

The preliminary club investigation found widespread mismanagement by James, [whose tenure as president officially ended Thursday night.](#)

In addition to misusing club funds, the report also alleged that James had become an increasingly "erratic" and "unstable" leader who offered apartments at below-market rates to family and club members to get them to turn a blind eye to his actions.

"It appears that [James] has come to treat the NAC as 'his' organization, which has resulted in significant management problems, a break down in internal controls and a long history of mismanagement and malfeasance by the president and his staff," according to the ongoing investigation by the club's lawyers at Sercarz and Riopelle, a summary of which was obtained by DNAinfo.

The report charges that James wrote \$1.4 million worth of club checks - including thousands of dollars that went toward his own personal expenses- without any backup documentation, oversight or invoices. DNAinfo had reported that [independent audits of the club had expressed similar concerns for decades.](#)

Investigators also found "significant and credible" anecdotal evidence suggesting James stole cash from the club's bar and events receipt box. There was also evidence suggesting James would take items from the club for his personal benefit and from residents' apartments without permission.

James is also accused of stealing mail addressed to club members, residents and governors - some of which contained \$50,000 worth of payments intended for the club that were never cashed, investigators found.

The mail was found in club apartments that James stockpiled for himself, his twin brother and their friend, Steven Leitner, a lawyer. Whenever elderly residents passed away, James would take control of their apartments while paying no rent, the investigation alleged.

James, his brother, John James, and Leitner still have seven apartments in the club's building, investigators said.

"Thousands and thousands of dollars worth of items were purchased by [James] at local flea markets, pet stores and antique vendors using handwritten checks," the report said. "We determined that many handwritten checks were written by [James] for what appear to be personal items."

Employees told the investigators that these items were stored with the mounds of others in the apartments used to collect junk even though James apparently would justify the purchases as items intended to beautify the club. The expenses were allegedly hidden in the club's "Flowers and Decorations" account under James' direction and the accountant's "acquiescence."

Besides the allegedly secret stash of apartments, [John James had an apartment for \\$356 a month, according to tax filings, which listed James' apartment at \\$1,143 a month and Leitner's at \\$858.](#)

Plus, investigators claimed, at the end of last year, James "unilaterally" granted another lease to his twin for \$2,300 - well below market rate for an apartment with a key to Gramercy Park.

James also "seems to have used his control of the apartments as a means to control several of the [board members who were given 'cheap' apartments](#), and thereby retain his control of the NAC generally," investigators said.

At least one resident was asked to pay \$200,000 in "key money" (essentially a bribe for an apartment), according to the investigators.

Overall, the club's "management of the apartments has been abysmal and inequitable," the report stated.

James "generally operated the club without any clear policy or procedure," the report alleged, giving away cheap and free memberships, doling out "too many free meals" to increase the club's popularity and using a "variety of methods of intimidation to maintain his control of the board, rendering it ineffective and unable to provide true oversight."

Since James was given a ["well-earned vacation"](#) in March, the board has been cooperating with [investigations by the Attorney General and Manhattan District Attorney](#) and [cleaning up junk-strewn apartments](#).

"As part of our cooperation with the District Attorney's and Attorney General's investigations, we conducted an internal investigation," newly elected president Dianne Bernhard confirmed in an email.

"As the governmental investigations are ongoing, we cannot comment any further," she added. "Our interest is getting on with the business at hand; bringing art and art education to our members and the general public."

The club's lawyers interviewed more than a dozen club employees and members and nine current or former board members, the report stated. James refused to be interviewed for their investigation.

James' lawyer, Gerald Shargel, did not respond to repeated requests for inquiry, made over several days. Leitner declined to comment.

James withdrew his name from consideration as president just before the board voted in painter, philanthropist and board vice president, Bernhard, on Thursday to take over the organization famous for glittering parties honoring the likes of playwright Edward Albee, jazz musician Wynton Marsalis and actor F. Murray Abraham.

The club was served a subpoena by the attorney general's office in mid-March and has so far provided 20,000 pages of documents, the report said.

The search for documents is ongoing, the investigators noted, because of the junk-strewn rooms still occupied by the James brothers and Leitner.

"We fully expect that the AG's investigation will proceed for many months into the future, and that the AG will seek to depose certain employees, officers and members of the NAC's Board of Governors," the club's lawyers wrote.

The report speculated that the District Attorney's investigation is focused on whether any officer or governor of the board committed any crimes and whether the club adhered to a 2003 settlement with the DA following a prior investigation.

That probe resulted in a guilty plea from James' twin brother, John, for using the club's nonprofit status to buy jewelry he sold for personal profit.

John James served five years' probation and three months in a psychiatric hospital, and agreed to pay more than \$500,000 in restitution and fines.

"We are confident that the AG will insist on significant changes in the way that the NAC manages itself, and we suggest that the NAC begin reforming itself now," investigators wrote.

The AG and the DA's office declined to comment.

The investigators' report reminded board members of their fiduciary responsibility to preserve and protect the club's assets for the benefit of all members.

"To that end, the board must take whatever actions it believes are appropriate to ascertain and correct past improprieties, and the board must act to remove any officer it finds has purloined or wasted assets that belong to the NAC," the report said.

"There is also the possibility that board members could be sued or even prosecuted criminally, if they were found to be complicit in conduct that damaged the NAC," it said.