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## No one checking on charities

Ottawa does little to screen aid groups; Filling out a form gets many registered

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TORONTO STAR

OTTAWA—Think that registration number from the federal government guarantees that a charity is bona fide?

Think again.

It just means the charity has passed the easiest of tests: Someone correctly filled out an application.

"We are not the regulator," says Carl Juneau, senior director of the Charities Directorate, part of Canada Customs and Revenue.

"The law says that, once it is established that a group has charitable purposes, we must register it."

Charitable purposes include relief of poverty, advancement of religion, advancement of education and a general category called "other public benefit."

But most people who donate believe a federal registration number means much more, such as background checks on directors and routine verification that contributions are being spent on good works.

Celia Genua, of Toronto, recently gave \$20 to Aladdin Children's Charities.

She received a visit from a canvasser armed with photos of children and a compelling pitch: "We grant wishes to dying children."

Genua didn't know that Aladdin gives just 32 cents of each dollar to charity. The rest goes to fundraising and administration. Some of that 32 cents is spent on sending copies of children's movies, unsolicited, to a string of Ontario hospitals.

The federally licensed charity would not give The Star examples of any dying children it had helped.

"I'm teed off," said Genua, after reading about Aladdin's finances in the Star. The charity took in \$2.1 million, over a three-year period, and gave \$692,290 to good works. "I gave in good faith. How do we, as the public, know what is legitimate and what is not?"

Before giving to the next charity that comes calling, consider these facts: There are 79,000 charities in Canada, and 1,000 more are registered each year. The average time for approval is one month. Almost every charity is registered without the government making so much as a telephone check.

"As a rule, we register based on the paper application," Juneau says.

National Revenue Minister Elinor Caplan has asked her staff, and Canada's top charity experts, to suggest ways to tighten up the system. Recommendations, including creating a charity watchdog with well-honed teeth, are to go to Caplan in the spring.

For now, regulation consists of a numbers game tied to the honour system.

But startling examples, such as that of the National Society for Abused Women and Children, which in one year took close to \$1 million in donations and spent \$1,375 on good works, show the system does not work. The National Society promised to provide counseling, fund domestic violence shelters, and even operate a library containing information on spousal abuse. The claims were false — but the federal government never checked them out.

Just 35 federal "examiners" review 5,000 applications a year, approving 1,000 new charities and refusing to register the other 4,000 applications. Some are rejected because political advocacy is a big part of the group's avowed aims, and registered charities aren't supposed to do political work. Some are simply abandoned and flushed from the system.

When it comes to existing charities, only 15 auditors are available to keep tabs on all 79,000. An average of 450 audits are done each year, meaning that about one-half of 1 per cent of these charities are audited in a given year.

The office tries its best, Juneau says. Ultimately, it's up to the donor to decide if a charity is worthwhile.

"We are not looking over the shoulder of every charity to make sure they are doing their work properly," says Juneau. He recommends donors question a charity's representatives, view its financial statements and perhaps volunteer for the charity to see if it is legitimate.

But even if a donor wanted to do the legwork, a charity is under no obligation to tell donors anything. In the course of the Star's investigation, many simply would not talk.

An example is the Christian Scholarship Association of Canada, which has coin boxes across Ontario. The boxes indicate the money is going to support "orphans and needy children." The charity was registered four years ago based on a claim that it would "offer scholarships and bursaries."

President Wilberforce Gyamfi, reached at his Tuxedo Ct. apartment in Scarborough, brusquely told the Star he was raising money to help people in Ghana; he demanded a list of questions, then hung up. The list was sent, but Gyamfi won't talk.

His association has filed two years of tax returns, which state it brought in \$9,923. Nothing has been spent, the documents say.

Christian Scholarship cash boxes are in many stores across Ontario. "The guy comes in and empties it all the time," said Gary Grewal, owner of the Kaladar Shell gas station, where one box sits.

The taxman's main job is to ensure that a charity meets an arcane standard called the "80-20 rule." It requires that a charity spend 80 per cent of the previous year's tax-receipted donations on charitable

purposes (not fundraising or administration). The problem with this rule, which Juneau calls "artificial," is that it does not require a charity to account for non-receipted donations it receives (such as cash box donations in a grocery store or the purchase of a raffle ticket).

A few especially outrageous cases of abuse have been taken to provincial court. But those are rare. The main reason the Charities Directorate cares at all is related to taxes. Donors to registered charities get a break in the form of an income-tax deduction. Ottawa loses tax revenue, so the government wants to ensure that something good comes of these donations.

Other than checking for 80-20 compliance, the directorate devotes relatively little energy to monitoring charities.

It does conduct spot audits and can investigate a charity if complaints are made. But a charity can run for 2 1/2 years before the directorate even sees its financial reports. That's because new charities do not have to file statements until 18 months after startup, and it takes a further six months for somebody at the directorate to get to the file. If it is chosen for an audit, that won't be tackled for yet another six months.

"You can bilk a lot of people in 2 1/2 years," says Gordon Floyd, vice-president of public affairs at the Canadian Centre for Philanthropy, an umbrella group of charities in Canada.

Juneau and Floyd, two of Canada's charity experts, both acknowledge serious problems in the sector — especially bogus charities and fundraising campaigns that simply cost too much. The problems affect a minority of Canada's 79,000 charities, they say, but that minority is significant.

The two men are involved in groundbreaking consultations between government and charity leaders, dubbed the Joint Regulatory Table Voluntary Sector Initiative.

The talks have been going on for six years. Former federal NDP leader Ed Broadbent got it started when he chaired a panel on accountability in the charitable sector. Broadbent recommended that the government set up an independent charity commission. Recently, an interim report by the new task force revealed recommendations that are to go before Caplan and may find their way into law.

For example, the day may come when new charities are issued the equivalent of learner permits, perhaps for a six-month period. These new charities would be scrutinized carefully in their start-up phase to ensure they are not cheating the public.

Another potential change involves penalties. Currently, the only penalty the taxman can apply is deregistration of the charity — a heavy cudgel that's rarely used. There are discussions around fining negligent directors. Another penalty might be publishing names of charities that break the rules.

Other jurisdictions — notably England and Wales — have established an independent charity commission operating as a true watchdog. The British commission's Web site is filled with results of investigations.

In the United States, several respected watchdog agencies annually rate charities to show how much money goes to good works. Many individual states do the same thing, and they rate the successes and failures of fundraising companies. There's nothing like that in Canada, and no plans to start.

However, the Canadian task force has expressed a desire to make more information available about charities. The public is currently entitled to a charity's annual financial return, and nothing else.

Portions of the year 2000 returns are now being posted on a federal government Web site. But, beyond that, the directorate is a secretive organization. Donors can't find out if a charity has been reprimanded or whether it is under investigation. And the results of investigations are not for public consumption.

"It's important that the public has confidence in the system," says Juneau, who supports a more open system that helps donors make informed choices.

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