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## Billions lost in charity scandal

One in six spends a lot, gives a little

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More than 12,000 Canadian charities — almost one in six — spend more money on fundraising and administration than they do on charitable work, a Star investigation reveals.

Some are well-meaning but inefficient, while others run blatant scams preying on the public with aggressive, often abusive, fundraising tactics.

These troubled charities, all federally registered, spent a total of \$10.5 billion of donor money on fundraising and administration in 1999 but contributed just \$1.9 billion to charitable works. That's 15 cents on the dollar.

One example of a charity that does poorly is the Glaucoma and Vision Impairment Society of Canada. From 1997 to 1999, the charity took \$651,823 from the public by knocking on doors and phoning homes telling prospective donors their dollars were desperately needed to cure glaucoma patients. Yet just \$61,983 — or 10 cents on the donor dollar — was devoted to charitable works.

"Based on this, I would not give to my charity," said glaucoma society president Elnor Walsh, when asked about her charity's performance.

She blames the poor ratio on the high commission (75 to 80 per cent) she's been charged by fundraising companies. Walsh, whose husband has glaucoma, said her charity's good works consist of distributing pamphlets on the disease and occasional visits she makes to elementary schools discussing the importance of eye safety.

The Star conducted a computer-assisted analysis of three years of tax returns filed by 70,000 Canadian charities between 1997 and 1999. A rating system was devised similar to that used by well-known charity watchdog groups. Those groups say that at least 60 per cent of annual expenditures should be on charitable works, with the rest going to fundraising and administration.

Walsh's organization isn't alone. The Star found 15,000 charities below the 60 per cent cut-off, meaning that less than 60 cents of each dollar donated was spent on good works. Of those:

★12,000 were below the 50 per cent level, where less than 50 cents of each dollar spent was devoted to charity.

★8,000 were below the 30 per cent level.

★5,000 put less than 10 cents of each dollar toward charitable works.

Today, there are 79,000 charities in Canada, with about 1,000 new ones registered by federal authorities each year. On average, the approval time is just one month. In 1999, the most recent year for which electronic data are available, Ottawa's charity database held 73,000 organizations. The Star analyzed 70,000 of those charities, excluding 3,000 because the data entry for those agencies was not complete.

Where a charity is named in this story, The Star has attempted to present the most current financial information from hard-copy financial returns filed by the charity. Typically, that means 1999-2001.

Examples of charities that do well are Covenant House, a Toronto youth shelter and counselling service, and the United Way of Greater Toronto. The United Way devotes 85 per cent of its annual expenditures to charitable works, and Covenant House turns over 77 per cent. In both cases, the remainder is spent on fundraising and administration.

The Terry Fox Foundation devotes 79 per cent of its annual expenditures to charity and Doctors Without Borders comes in at 83 per cent. The Canadian Cancer Society, with its strong base of local volunteers, hands over 95 per cent. The War Amps, which provides financial and other help to child and adult amputees, devotes 93 cents on the dollar to charitable works.

"How do we do it? Volunteers. Low salaries for our staff. Lots of good works. We use our old-boy network for a lot of free fundraising. And we fly Tango," said Cliff Chadderton, 83, the War Amps' chief executive officer. The World War II veteran lost his right leg below the knee while in command of a company of the Royal Winnipeg Rifles, battling for the Scheldt Estuary in Belgium and Holland.

"We don't operate on a big spending budget in the way that, I guess, other charities have to survive."

Easter Seals, the well-known charity supporting children with physical disabilities, devoted 54 per cent of its total expenditures to good works in the 1999-2001 period. President Charlotte Gibson hopes results will improve in the next few years as the agency moves to a more "grassroots" style of fundraising, with lower costs and community-based events.

"We have to get as much donor money as possible back to the children," Gibson said.

While charities range in size from small operations in church basements to giants with multi-million-dollar budgets, there is one universal expectation: that they operate for the public benefit. That's why charities don't pay income tax and are often exempt from property tax. They also issue tax receipts, a powerful donor incentive.

It's impossible to tell from the government data how many of the 12,000 substandard charities are scams and how many are well-meaning but poorly organized. The only way to tell is to look at a charity's financial statements and find out where the money goes. Authorities suggest that true scams are in the minority.

One recent scam was the National Society for Abused Women and Children. In an aggressive fundraising campaign that lasted just over a year, the federally registered charity took \$1 million from the public and devoted just \$1,365 to good works. It was eventually shut down by an Ontario court decision.

When the knock comes at their door, most donors assume the bulk of any money they give will go to

charitable works, not office and fundraising expenses. But it's clear from the data that a sizable number of Canadian charities are more in the business of raising money than helping others. Many operate in the belief that they have to spend a great deal of money to raise money.

Those giving less than 60 per cent fall into three categories:

- ★ Small but with a big infrastructure — large staff and office costs. Their good works don't justify the expense.
- ★ Those fond of big-ticket fundraising techniques, such as gala balls, that return relatively little to the charity.
- ★ Those that rely on professional fundraisers, who claim the first 75 to 80 cents of each dollar collected.

Champions for Children, a charity affiliated with the Children's Aid Society of Ottawa-Carleton, provides playground equipment and hot meals at a nursery school for agency children, and hands out scholarships to teens from the society's clientele. Good works they are doing, to be sure. But over a three-year period, the charity spent \$1.5 million on fundraising and administration and just \$296,892 (16 cents on the dollar) on its charitable programs. The charity has rent-free accommodation and delivers no direct services, yet its annual administration expense was \$246,000 until it recently moved to downsize.

Champions raises its money from traditional donations and such events as the lavish Viennese Winter Ball. Tickets are \$300 a plate at the National Arts Centre gala, where last winter guests munched their way through rock lobster tail on candied gingered pineapple and slow-roasted veal tenderloin.

Yet the return to the charity, about 25 cents on the dollar, is low. It does better on a World Trivia Night, where tickets are just \$20 and it's more of a beer and pizza event.

Long-time volunteer board members David Wallace and Mike Carson are trying to turn things around. "We have downsized our expectations. We are never going to be a big charity," Wallace said. "In the end, we have to look at what we are doing and ask, 'Are we adding value to the community?'"

Adds Carson, who is the treasurer: "Our problem is, charity has changed over the years. Today, it is easier to sell something to a donor if they are getting something out of it."

Two other examples of charities that raise money with gala events are the Canadian Foundation for Physically Disabled Persons and [REDACTED], two groups with a stated mission to help people with disabilities. Both raise much of their money by holding expensive dinners.

Over a three-year period, the foundation spent \$906,163 on charity, and \$1.5 million on fundraising and administration. That means just 38 cents of each dollar was put toward good works. Much of the fundraising costs were incurred by such events as the annual Valentine Gala ball. The charitable works carried out by the foundation include providing awards for disabled athletes and, in 2001, paying \$100,000 toward the cost of athletes to participate at the Paralympic Games in Australia.

Despite the numbers, executive director Vim Kochar says he is very pleased with the way his charity — in its 19th year — operates. "We are an awareness organization. Everything we do, we do to bring

about a change in attitude toward people with disabilities in Canada."

Kochar says the dinners hosted by the group are not simply to raise money but are charitable events that "spread the awareness."

██████████, which provides one-on-one counselling and summer camp experiences for physically and developmentally disabled youth, also raises money with a gala event, the Crystal Ball.

A recent Crystal Ball featured a VIP champagne reception, four-course gourmet dinner with wine and liqueurs, and entertainer Andre-Philippe Gagnon.

Over a three-year period, ██████████ spent \$2.2 million on charity and \$4.8 million on fundraising, administration and other expenses — or 32 cents of each dollar on good works.

Still, the organization provides a tremendous service. Executive director ██████████ says in addition to enjoyment provided to the 300 children who attend annual camps, their parents are given a combined total of almost 200,000 hours' respite from the often difficult care they must provide on a daily basis.

██████████ says she is not happy with the charity's "event-based" fundraising. Nor was she pleased with recent attempts at door-to-door collecting, although she hopes costs will diminish as a consistent base of donors is built up.

"Could we be doing things smarter? Gosh, I think so. How? I wish I knew," ██████████ said.

The Star's research caught the Toronto Make-A-Wish Foundation in what board members describe as a transition period. In the past three years, the charity, which grants wishes to ill children, spent \$884,562 on fundraising and office expenses, and delivered wishes valued at only \$639,696. That's 42 cents on the dollar. The charity has two problems, according to board members.

Treasurer Rand Roland says donations can't support the organization's infrastructure, which is more in line with that of a bigger organization. He hopes increased donations will solve the problem.

President David MacNicol says his charity's other problem is that it has had a hard time finding the right children. "We're carrying around an extra \$300,000 and charities are not supposed to do that." He said other children's wish charities — there are dozens in Canada — visit hospital waiting rooms to find children, something he believes is distasteful.

"There's too much competition out there," Macnicol said. "But we are starting to spend our money now."

A charity that seems to have it figured out is the Children's Emergency Foundation, based in Pickering. It raises money to feed needy children in Canada and abroad — providing support to more than 300 community-based meal programs in this country alone.

In a recent three-year period, it spent \$11.4 million on its charity work, and just \$3.6 million on fundraising and administration. So 76 cents of each dollar went to charity. The group raises money by contacting individuals and businesses through direct mail and phone solicitation.

An example of a small charity with a sound approach to fundraising is the Glaucoma Research Society of Ontario. It consistently spends 93 cents on the dollar on charity — in its case, funding research — and raises about \$100,000 a year.

Former president and long-time board member Michael Claener, who has glaucoma, said the charity is supported by about 1,500 people with glaucoma who donate money each year.

Claener says he often distributes information brochures while on vacation. The group also receives money from a company that manufactures eye-care products.

Each year, the charity has a meeting (rent free) at a hospital auditorium, where researchers who use the money are invited to meet the donors who support their work. It's a coffee and doughnuts type of event.

"If you said to me, 'Go rent Roy Thomson Hall and we're going to bring in Celine Dion,' I'd say I'm not going to do it," Claener said.

"You gave us that money for research, not to fundraise and hold a big party."

Sue Cox, executive director of the Daily Bread Food Bank, credits a strong volunteer campaign for her charity's good numbers. "Our use of volunteers is very strong, doing a lot of administrative tasks, and of course moving the food out to the people," she said.

"We do a lot with a little. We have a grassroots style. For example, we'd never buy a desk or a filing cabinet. We get a lot of things donated along with the food."

Gordon Floyd, interim chief executive officer at the Canadian Centre for Philanthropy in Toronto, encourages donors to check out a charity's fundraising and administration costs before giving.

Floyd says he has some sympathy for groups that hold giant balls, as they often support causes unpalatable to donors.

"What all of us wish is that Canadians would open up their wallets and give donations without having fundraising costs, so all of the dollars go to the cause. But that's not the way it is."

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*Tomorrow: Bad boys of charity*

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