

CBC and the CRA Disparage Canadian Charities

by Stephen Elliott-Buckley - Tuesday, September 28, 2010

<http://politicsrespun.org/2010/09/cbc-and-the-cra-disparage-canadian-charities/>

It's unfortunate that the CBC, in [trying to tell a story with CRA data about how Canadian charities use external fundraising companies](#), actually erodes the level of understanding in the public of how charities operate.

At a time when enhancing community fabric and financial selflessness are growing in importance, we need quality, complete and reliable information when it comes to how we exercise our charity.

Having enjoyed several years of volunteering with the Canadian Red Cross youth and international development departments in the mid 1980s, I credit that organization with a number of things:

- providing my foundational understanding of global politics and development
- understanding the role of leadership and volunteerism in society
- allowing me to appreciate the joy of teaching, educating and facilitating
- teaching me the extraordinarily valuable role of the international Red Cross as a neutral organization

The last part of the Red Cross is what I cherish most, in part because I find myself unable to hold myself to the standard of neutrality required to continue working with the Red Cross for the last two decades. I am quite partisan and find it utterly impossible to avoid that.

Being incapable of that kind of neutrality in the face of the dominant political issues of the world helps me understand the value of neutrality that the Red Cross embodies.

That said, I was disturbed when I read the [CBC report with some statistics](#) indicating that [information from the Canada Revenue Agency](#) shows that the Red Cross wasted/spent/invested 88% of earned donations with external fundraisers in 2009: \$1.2m of \$1.4m raised. You can search for fundraising information in a variety of ways [at this link](#).

Despite my sentimentalism, idealism and bias, I still couldn't really accept that as plausible for the Red Cross.

The "CBC investigation" found that external fundraising companies are doing great business, \$750m over the last five years, while undermining the value of donations to charities by in some cases "billing charities for well over half the money they collect — and in some cases, more than 90 per cent."

So I simply contacted the Red Cross to INVESTIGATE if they had a comment on that 88% fundraising cost for last year, something the CBC could have done to present a full story. And if they had done more than include a few statements about how the CRA numbers available through their link may not represent all the fundraising a charity is doing, etc., they would have found out what I did: the data tells a wildly

incomplete story and leaves readers with profound and unwarranted cynicism, which you can read about in the [dozens of comments on the webpage](#).

Here's some of what I found out:

1. In 2009-2010, the cost of fundraising excluding lotteries and gaming was 10.5\$.
2. Averaged over five years, the cost of fundraising excluding lotteries and gaming was 11.9%.
3. Following large disasters, such as the recent earthquake in Haiti, the cost of fundraising will not exceed 5 per cent.
4. The audited financial statements in a charity's annual report are a far more thorough source of complete and accurate information than a quick link in a web story.
5. Many charities have dozens, hundreds or thousands of volunteers who provide services for free and with no substantial costs.
6. Typical goals for third party contractors can be a ratio of 7:1 for revenue versus costs, but in the first year of such programs, breaking even can be a realistic goal.
7. Some fundraising activities cost more money but are part of an overall strategy, like building awareness of programs and issues.
8. Some fundraising methods in some provinces have higher operating costs than others, like lotteries or gaming revenue.

But one problem with charitable donations is that people don't always have the required time to do their due diligence in ensuring the operations of a charity fit their standards. Web stories like this CBC piece can be a short cut to help people decide who is worthy of supporting, but they can also turn into the complete investigation that people make. Incomplete reporting in this piece lead to people embracing inaccurate conclusions.

Another problem is that many people are not able to fully interpret audited financial statements, which means many will avoid doing the extra research required to become properly informed about charities they are interested in supporting. That is why it is in charities' best interest to provide plain language information about their funding processes with information from those audited financial reports.

In examining the Red Cross website, it is easy to see their [Corporate Information page](#) underneath the "About the Red Cross" link on [their homepage](#). The corporate information page includes the last ten years of financial statements and foundational information about the Red Cross. The [Our fundraisers page](#) includes information on fundraising activities. But as I mentioned above the Red Cross could build a plain language webpage that talks about many of the core concerns people have about their donations, like administrative costs. And they could provide numerous links to that page on webpages people might have that question pop into their head.

What would people learn from such a page?

It could provide a simplified presentation of the information on page 47 [pdf page 51] of the [2009-2010 annual report](#), which shows the cost of fundraising.

Over the last five years, the Red Cross has collected \$615 million in fundraising revenue while its expenses were \$93 million, providing an administrative cost of 15.2%, or 11.9% when factoring out the more expensive lotteries and gaming fundraising.

Turning back to the CBC piece, the \$1.4 and \$1.2 million figures for 2009 are quite insignificant. Or looking the other way around, trying to conclude anything about the efficacy of donations to the Red Cross from the CBC web story leads to disparaging results.

In the end, I question the nature of the "investigation" that CBC conducted.

The web story is short. It includes a link to the [CRA's searchable database](#), which, when you enter Red Cross, you encounter a [typically] cryptic CRA document full of organization codes that would certainly require a certain amount of familiarity with the CRA to decypher. The CRA certainly could use a lesson in plain language database presentation.

Nevertheless, in the sea of CRA codes are two dollar values: the \$1.4 and \$1.2 million figures that show up in the chart on the CBC web story.

I would suggest there is no real investigation involved in the CBC web story. Merely presenting the only two easily discernible pieces of information from a tax database which horribly misrepresents a charity's overall fundraising context is irresponsible. When I can spend 10 minutes with financial statements and 20 minutes on the phone with a Red Cross media staff person and get a rather robust picture of the organization's financial status, I can safely say the CBC didn't do its job.

In fact, I would suggest further that whatever the CBC decided was the story, they missed the real story: the CRA's public database designed to help Canadians understand charities' fundraising context presents largely useless and ultimately disparaging information. That the CBC decided to parrot that inadequate information is a disservice to Canadians. And while I have affection for the CBC that rivals my affection for the Red Cross, I have to side with the Red Cross on this one.

Certainly no one has the time to investigate the 85,000 registered charities in Canada, but the least the CBC could have done would have been to explore the context with more than a few disclaimer statements that have done little or nothing to contextualize the disappointed comments provided by readers on the web page. The CBC could have explored a few large and small charities in more depth to see that the CRA data is inadequate.

Short of replying to each of the dozens of people commenting on the web page, we are left with hoping that people will do more investigation into the charities they consider supporting.

And while the CBC did include this other story on their website last week about [what to look for when picking a charity](#), I'm afraid their piece on external fundraiser costs has done more damage than the useful advice elsewhere.