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Ottawa targets rogue charities

Tough new guidelines in wake of Star exposé make it easier to revoke charitable status

Jul 12, 2009 - **KEVIN DONOVAN**, STAFF REPORTER AT THE TORONTO STAR

Charities that use the bulk of their donations on high-priced fundraisers, or lie to donors to get money, face tough new rules making it easier for the government to suspend or revoke their charitable status.

The guidelines, introduced after a year of consultation, attempt to bring order to the 83,000 charities in Canada, ranging from multi-million-dollar agencies run as corporations to groups run out of a kitchen.

The Charities Directorate, part of the Canada Revenue Agency, warns charities they must be honest with the public when asking for donations. Donors must be told what the money will be used for, and how much of it will go toward the cause.

A *Star* investigation found dozens of cases of charities lying to donors about how much of their donation goes to good works, and about what their charity does. Some charities claimed they were operating programs that simply did not exist. Others claimed most donor money went to good works, yet the *Star* found 80, 90 or more per cent of donations paid fundraisers.

Charities that misrepresent themselves can now be suspended or have their status revoked.

Marcel Lauzière, president of Imagine Canada, which represents the philanthropic sector, said the guidelines, introduced Thursday, will help good charities figure out what the federal regulator expects of them, and make it clear to the minority of bad charities what will get them in trouble. He said donors will now have a sense of what to look for in a charity before writing a cheque.

Terry De Marche, the Charities Directorate's director general, said he's pleased his people have strong guidelines when they review or audit charities.



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"All registered charities are required by law to have exclusively charitable purposes," the directorate says, adding that fundraising is not a charitable purpose.

The *Star* has found numerous examples of charities that do nothing but fundraise in the name of a cause. The charities insisted aggressive door-to-door canvassers and telemarketers were really just the charity conducting "public awareness campaigns" on a variety of diseases or to highlight social problems. The guidelines state that any request for money by a charity must be classified as fundraising.

Since most charities must raise funds to survive, the watchdog created a sliding scale to help both charities and donors.

It set 35 cents on a dollar as the maximum safe fundraising cost. More than that, a charity will likely be asked to explain itself to the watchdog in an audit. Fundraising costs above 70 cents on the donor dollar will raise serious concerns with the watchdog and could lead to the charitable status being revoked.

De Marche said the guidelines take into account charities just starting up, with higher fundraising costs. But he said it is not acceptable for a charity to set up one day and hire a for-profit fundraiser at "80 cents on the dollar" the next.

The watchdog also takes aim at charities that pay fundraisers a commission, saying these contracts can result in a "windfall profit for the fundraiser" and little or no money for the charity.

The watchdog said fundraisers should be paid by number of donors reached or an hourly wage.