

Barely 2pc of groups funded by donations are willing to publish their accounts

Few charities welcome public scrutiny

Daniel Sin and Celine Sun

When you donate to charity, do you ever wonder how the money is spent? Would you support groups if you knew they had declined to have their accounts published in an internet database?

And would you give groups money if you knew more than 50 cents of every dollar they spend goes on fund-raising or office expenses?

Of the city's nearly 5,900 registered charities, 147 have made their accounts available to the Council of Social Service's Wise Giving database.

Council business director Cliff Choi Kim-wah said the 147 were to be commended for being willing to subject their accounts to public scrutiny for the sake of transparency and accountability. He called on the remaining 5,750 or so to supply the information for the benefit of donors.

The 147 charities together received HK\$8 billion in donations in the 2007-08 financial year the council database covers. (No published figures exist showing the total amount given to charities each year, so it is not known what proportion of charitable revenue their income represents.)

While there is a limit to the conclusions to be drawn from such a small sample, expenses for 11 of the organisations accounted for more than 35 per cent of their expenditure, the database shows. More than half of the expenditure for four of them went on expenses. And that, according to one measure of international best practice, is too much.

The Better Business Bureau (BBB), an organisation based in North America that promotes ethics in the marketplace, says a charity's total spending on areas not directly related to programmes and services should not exceed 35 per cent.

Of the charities on the database with relatively high spending on expenses, about 53 per cent of the Children's Thalassaemia Foundation's spending went on expenses, 52 per cent of Asian Outreach Hong Kong's and 51 per cent of that of the Society for Promotion of Hospice Care. It shows the Produce Green

Foundation spent 62 per cent of its income on fund-raising and administration. However, the group, which operates garden allotments for the elderly, says the figure has been distorted by data-entry errors it made.

"People making a donation would like to see their money spent directly on beneficiaries," said Tik Chi-yuen, former executive director of the Society for the Aged.

He agreed that a charity's spending on fund-raising and administration should not exceed 35 per cent of total spending, and said regulations were needed to enforce greater transparency among all charities over the use of donations.

The council's database shows charities' sources of income, how much of their expenditure goes on services and programmes for beneficiaries

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ciaries and how much goes on fund-raising activities and administration.

Vicky Lau, executive secretary of the Produce Green Foundation, said the impression that fund-raising and administration activities accounted for a high proportion of the group's expenditure was an honest mistake.

"We keyed in the right figures in the wrong places," she said. Putting them right would show that the organisation had spent less than 16 per cent in those areas.

Rita Lau, of the Society for the Promotion of Hospice Care, suggested it was often a matter of accounting as to how big a proportion of a charity's expenditure went on expenses.

Asian Outreach Hong Kong, a Christian charity, would not explain why its fund-raising and administrative expenses accounted for such a high proportion of its expenditure; the Children's Thalassaemia Foun-

dation, which helps children suffering from thalassaemia, a hereditary blood disorder, and their families declined to comment.

Helen Liu Kanghui, an assistant professor of public administration at the University of Hong Kong who has researched management of charities, said there was no absolute standard on how much a charity should spend on fund-raising or administration.

She said the BBB Wise Giving Alliance in the United States had determined that at least 65 per cent of an organisation's spending should be on activities related to the cause to which it is devoted. "It is not a formal rule or regulation and this standard varies according to age and size of organisation, types of services or events, location of organisation and popularity of the cause," she said.

Forty-five of the groups on the database spent 10 per cent or less on administration and fund-raising.

Kevin Chiu, chief executive of one of them, World Vision Hong Kong - the local branch of the global development charity - said lawyers and accountants sitting on its audit committee helped keep its fund-raising costs to under 10 per cent.

However, for many organisations, there is a limit to how much can be saved.

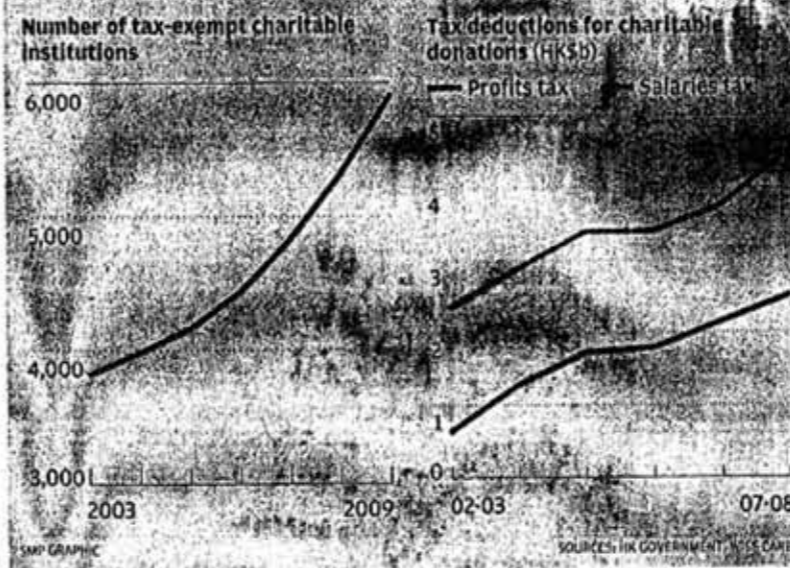
John Sayer, director general of the local branch of another global development charity, Oxfam Hong Kong, said organisations that did not depend on government, large foundations or corporations for funding could find it impossible to keep fund-raising costs below 10 per cent of income. "If, for example, an organisation depends on glittering gala balls or other events for the rich and famous, then the overhead costs of organising the event might be quite high," he said. Organisations that did not accept funds from companies involved in gambling or the sale of tobacco or alcohol were bound to incur higher overheads.

Chiu said smaller organisations, especially those still in start-up phase, were often less capable of raising large sums, and their spending on expenses would be proportionately higher than that of more established groups.

Where do your donations go?

Of nearly 6,000 charities, 147, or just over 2 per cent, have published their accounts on a Council of Social Service website. Of these, four have fund-raising and administrative expenses that account for more than 50 per cent of expenditure

| | Fund-raising | Administrative | Remainder |
|---|--------------|----------------|-----------|
| Produce Green Foundation | 12.1 | 50.1 | 37.8 |
| Children's Thalassaemia Foundation | 31.8 | 20.9 | 47.8 |
| Asian Outreach Hong Kong | 33.9 | 18.5 | 47.6 |
| Society for the Promotion of Hospice Care | 26.6 | 24.6 | 48.8 |



Fund-raising work outsourced to cut costs

Some charities in Hong Kong have resorted to third-party fund-raisers to contain costs.

Greenpeace fund-raising director Cristina San Vicente said fund-raising work was being outsourced because it was cheaper and more cost effective than getting it done by Greenpeace's in-house team.

Fion Ng of the Society for Aids Care

said the use of fund-raising agents saved time and labour.

WWF Hong Kong director of development Laura Weeks agreed that outsourcing fund-raising was cost effective and enabled the organisation to focus better on its services and programmes.

But Christian Action executive director Cheung-Ang Siew-mei said the

authorities should check some professional fund-raisers.

"Some agencies may use the image of charitable bodies to solicit donations, but they may pocket a large amount of the donation as fees. No one knows how these fees are justified," she said. Fund-raising was expensive, especially for smaller charitable bodies, so it could be quite tempting when fund-raising

services were offered, even on a commission basis.

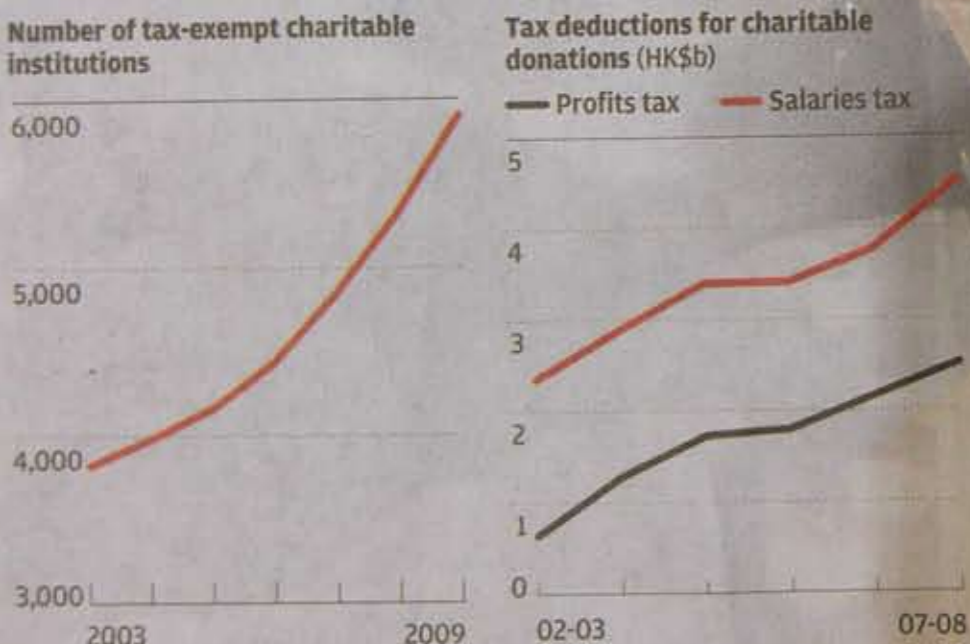
Tik Chi-yuen, former executive director of the Hong Kong Society for the Aged, said fund-raising agents working on a commission basis on the streets should identify themselves as such.

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