

World Children's Rescue Fund

Registered Charity No: 1079124

Introduction

1. This is a statement of the results of an inquiry under section 8 of the Charities Act 1993.

2. World Children's Rescue Fund was registered as a charity in 2000 and is governed by a Memorandum and Articles of Association. Its objects are: -

- To relieve the distress, hardship and suffering and to advance the education of children anywhere in the world
- To relieve suffering and distress caused by natural or man-made disasters
- Such exclusively charitable purposes as the Directors shall decide.

Its income for the financial year ending 31 March 2004 was £2,982,665.

Issues

3. In January 2001 the Commission received complaints from members of the public about the charity's customer service as well as the tone and content of the charity's appeal literature. In particular, complainants were concerned as to whether the charity's 'Matching Challenge', where the charity claimed that it would match any donation received, was genuine. The Commission subsequently received many more complaints from members of the public.

4. An examination of the charity's draft accounts for the financial year ending 30 March 2001 and correspondence with the charity raised further concerns: -

- Employees of the charity could not initially provide us with names and addresses of its trustees.
- The draft accounts showed that 64% of the charity's fundraising income was spent on fundraising costs. This is regarded by the Commission as an unacceptably high percentage.
- The appeal literature so far seen by the Commission appeared to request donations for specific purposes and, therefore, restricted the use of the charity's income derived from such appeals. Such restricted funds may have been misapplied to cover fundraising and administration costs.

5. An inquiry was opened in August 2001.

Findings

6. The charity was initially in its formative phase and was disorganised. An active, properly appointed trustee body and employees to deal with customer service were soon in place.

7. The charity's 'Matching Challenge' operated such that for every pound raised on the basis of these appeals, gifts in kind of an equivalent value were sent to areas of need. These gifts in kind are sourced from a Canadian charity which in turn receives them in the form of donations of goods from US companies.

8. The level of direct charitable expenditure resulting from the donations received from UK donors was extremely low: -

	Accounts for financial year ending 31 March 2001	Accounts for financial year ending 31 March 2002	Accounts for financial year ending 31 March 2003
Fundraising income from UK donors	£542,937	£848,630	£1,301,422
Direct charitable expenditure (DCE)	£8,360	£49,005	£111,417
% of fundraising income applied to DCE	1.5%	6%	9%

The Commission found that the charity's only charitable activity was the payment of shipping costs for consignments of gifts in kind. The remainder of the funds raised from UK donors was applied to the costs of fundraising. The trustees argued that this was due to the charity's initial start-up costs.

9. The Commission inspected the charity's various appeal mailings. The Commission concluded that, in some instances, the specific nature of the appeals restricted the use of the charity's income from those appeals and it should have been applied only to Direct Charitable Expenditure. All the funds raised by the charity through those particular appeal mailings that were subsequently used to pay for fundraising had therefore been misapplied.

10. The charity had several 'sister' charities throughout Europe and elsewhere. We found that all Gifts-in-Kind donated to the charity were first donated to SWKFE, a European sister charity in the World Children's Fund network. We found that SWKFE carried out a paper exercise whereby these gifts in kind were allocated to other charities in the network. We saw no evidence that the trustees of World Children's Rescue Fund had any discretion in terms of the sourcing and application of the Gifts-in-Kind allocated to the charity by SWKFE. We saw no evidence that the trustees' decision-making was independent from SWKFE.

Outcome of the Inquiry

11. The Commission advised the trustees to be alert and sensitive to public opinion and criticism in terms of the content of its fund-raising literature. We also advised the trustees that fund-raising methods which meet with public disapproval could damage the charity's reputation and reduce public confidence in the sector as a whole. Although there is no legal requirement for a charity to detail precisely how the funds raised by its appeals will be spent, we advised the trustees that providing information about this would be of value in the interests of transparency.

12. The Commission advised the trustees that in order to ensure that any funds raised are available for general use and not restricted, care should be taken to ensure that the literature does not indicate that individual donations will be used for specific purposes and that it should make reference to the appeal being for the general purposes of the charity (such general purposes include administration and fundraising).

13. The Commission asked the trustees to prepare a plan for the repayment of the charity's restricted funds that have been misapplied as fundraising costs. The trustees provided a plan whereby £1,697,425 would be repaid via the shipment of gifts in kind additional to those normally shipped by the charity.

14. The Commission asked the trustees to submit a 5 year business plan demonstrating how the ratio of fundraising costs to direct charitable expenditure would improve in the future. The business plan submitted by the trustees in 2004 projected that by 2009 fundraising costs would constitute a maximum of 50% of total fundraising income.

15. The trustees have supplied an undertaking that they would exercise their discretion in the sourcing and application of gifts in kind.

16. The Charity Commission will monitor the charity to ensure that the above undertakings are fulfilled.

17. The inquiry was closed on 27 October 2005.

Wider Lessons

18. Trustees are responsible for the overall management and administration of the charity. It is an important and general rule that trustees act in person and decisions concerning the charity are taken by the trustees acting together.

19. Although in practice a charity can be administered on a day to day basis without the input of the trustees, employees must be aware that it is the trustees who have the legal authority to act.

20. Fundraising is not a charitable purpose.

21. Charities and fundraisers should ensure that they are aware of the full range of legislation which regulates charitable fundraising, and should take legal advice if necessary. When soliciting donations from members of the public or other prospective donors, representations, whether verbal or written, must be honest and not misleading.

22. Trustees should be aware that they may only apply their charity's assets to furthering its stated purposes and not for any other purposes, whether charitable or not. Where gifts in kind are concerned, the trustees must operate full discretion over the sourcing and application of these goods.