

World Emergency Relief

Registered Charity No: 1045672

Introduction

1. This is a statement of the results of an inquiry under section 8 of the Charities Act 1993.
2. World Emergency Relief was registered as a charity in 1995 and is governed by a Memorandum and Articles of Association. Its objects are “the relief of persons anywhere in the world who are suffering hardship as a result of drought, earthquake, flood or other natural disaster or who by reason of their social and economic conditions are in need of assistance in accordance with the principles of the Christian faith”. Its income for the financial year ending 31 March 2004 was £29,728,944.

Issues

3. In July 2002 the Commission received a complaint about the emotive nature of the charity’s fundraising appeal literature. The complaint also related to the inclusion of coins with the appeal literature and the potentially high level of the charity’s fundraising costs resulting from this.
4. An examination of the charity’s accounts for the financial year ending 31 March 2001 and correspondence with the trustees raised a further concern. The Direct Charitable Expenditure total included ‘printing and postage’ costs on the basis that the charity claimed that a percentage of the content of each mailing was educational material and therefore could be allocated to charitable expenditure in line with the charity’s interpretation of US accounting regulations. The contents of the mailings did not appear to the Commission to be educational in the charitable sense. The Charity Commission would expect printing and postage costs in respect of fundraising mailings to be shown in the charity’s accounts as Fundraising Expenses rather than Direct Charitable Expenditure.
5. An inquiry was opened in December 2002.

Findings

6. The trustees had received independent professional advice, which they considered supported their decision to allocate 30% of the costs of printing and posting the charity’s appeal literature to Direct Charitable Expenditure. The trustees believed that this percentage of the charity’s appeal literature constituted public education. Public education is a power in the charity’s Memorandum and Articles of Association which supports the charity’s relief of need object. The result of this apportionment was that the level of Direct Charitable Expenditure in the charity’s accounts was boosted and the costs of fundraising appeared lower.

7. On the same basis on which the trustees allocated these printing and postage costs to Direct Charitable Expenditure, the charity also made grants, ostensibly for public education, to sister charities in Holland, Germany and Hong Kong which were accounted for as Direct Charitable Expenditure. These grants totalled £241,798 and the trustees were aware that they were used by the recipient charities to fund similar fundraising mailings.

8. The majority of the charity's activity involved the shipping of gifts in kind to areas of need e.g. in the financial year ending 31 March 2002, out of a total of £15,382,763 of Direct Charitable Expenditure, £14,274,239 was in the form of gifts in kind. These gifts in kind were sourced in the USA by a sister charity and shipped around the world in the name of World Emergency Relief UK. It was unclear how much control the UK trustees operated over which goods were sourced and whether their distribution furthered the charity's objects.

Outcome of the Inquiry

9. The Commission informed the trustees that it considered that the charity's fundraising literature was not educational in a charitable sense. The Commission's view was that the purpose of the information provided in the appeal literature was not to advance the knowledge or the abilities of the recipients but to elicit donations from them. This meant that the costs of printing and posting the appeal literature could not be allocated under Direct Charitable Expenditure. Nor could the grants used for fundraising costs, made to sister charities on the basis of public education, be attributed to Direct Charitable Expenditure. The trustees agreed to accede to the advice from the Commission.

10. The trustees have agreed to make the necessary adjustments to the charity's accounts in the financial year ending 31 March 2005 to show that all costs relating to the printing and postage of fundraising appeal literature are allocated to fundraising costs.

11. The trustees have undertaken to recover for the charity the grants totalling £241,798 which were made to sister charities on the basis that they were funding public education. This will be achieved within 18 months.

12. The trustees satisfied the Commission that the trustees now operate discretion over the sourcing of gifts in kind, many of which are now sourced in the UK, and that these gifts in kind are of appropriate goods and equipment for use in the charity's projects in furtherance of its objects.

13. The inquiry was closed on 11th October 2005.

Wider lessons

14. Fundraising is not a charitable purpose.

15. Trustees 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.

16. 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.

17. In order for a charity's activities to be educational in a charitable sense, information or training must be provided in a structured manner and for a genuinely educational purpose i.e. to advance the knowledge or abilities of the recipients.

18. Charities should take seriously their responsibilities to comply with the requirements of the Charities Statement of Recommended Practice (SORP). Transparency and accountability helps underpin the confidence of the public in charities by providing a true and accurate record of the charity's activities and allows funders and supporters to see how their money is being used.