

Charities' hidden costs: the company they keep

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Money donated to charity may not go directly to the cause members of the public hope to support. Saimi Jeongreports.

The fundamental purpose of charities is to benefit the public, and the trust of the public is crucial in gaining and sustaining funds for charitable causes. But the Prince of Wales Hospital Foundation (POWHF) and the Mater Foundation are large charities that appear to have compromised that trust by keeping secret the proportion of profits raised that went to outsourced marketing company, the Appco Group.

Australians donated \$2.2 billion to charity in 2011, and recent Australian Tax Office figures show that 38 per cent of taxpayers – almost 4.8 million people – donated an average \$461 to charity. Yet there are real issues around how charities demonstrate accountability and transparency concerning where public money in the form of donations, tax benefits and other public aid goes.

Inside shopping centres and on streets throughout Sydney, salespeople from Saffron Global Corp – a division of the Appco Group – stopped as many pedestrians as they could to sell them raffle tickets. Funds raised were said to go towards the construction of a new cancer facility at the Prince of Wales Hospital, Randwick.

When people asked exactly how much of the money went to the hospital, they were told that all proceeds raised went directly to the cause.

Leyla Tang, who worked six months with the company on the POWHF appeal, said workers induced people to believe “each and every cent” went to the hospital.

“Our job is to build rapport with them, make them feel happy and making them feel as though they’re doing something really good for the world, while they’re getting something good out of it like a raffle,” she said. “And they would think that all the money is going to charity, because we were told that that was the truth, and that’s what we told people. But it was blatantly a lie.”

Members of the public were encouraged to sign up for an allocated dollar value’s worth of raffle tickets at \$30, \$50 or \$100 per month. But they were not told that the salesperson was paid a minimum of \$20 for a \$30 sign up, \$30 for a \$50 sign up and \$60 for signing someone up to a \$100 raffle. That worker’s “leader” within the company also received a percentage from the sale, and the role above theirs – the “team leader” – got their take and so on, with a greater return earned with each position up the chain.

According to Leyla Tang, an Assistant Owner would make around \$200 from a \$50 sign up. Another source who worked at Saffron Global Corp for nine months – unnamed because they

still work under parent company the Appco Group – said an Assistant Owner would receive 4 per cent of their team’s earnings, and more once they became Owner Partner.

“I thought it was a bit dodgy,” said Zara Coorey, a former worker who left the company after three weeks because she felt as though she was “manipulating people” to sign up. She and a group of new employees asked Saffron Global Corp Managing Director David Dorville how much of the funds raised went to the hospital.

“He explained it really vaguely. He said everything goes to the hospital, but the hospital... would give a percentage of the ticket sales to Saffron and then David and Rita would get the majority because they’re directors,” she said. Rita Gioffre was Owner Partner at the company.

David Dorville did not respond to questions about the distribution of funds raised in the POWHF appeal or on the way this was represented to the public.

The POWHF’s CEO Leanne Zalapa said she knew nothing about the financial management of the fundraising appeal run by Saffron Global Corp on its behalf. She instructed that all questions be directed to its partner, the Mater Foundation, since it outsourced the company.

The Mater Foundation’s Kellie Keates, its Marketing Manager, refused to disclose any information regarding fundraising profits or costs on the grounds that it was “commercially sensitive”.

Over a second phone call, Leanne Zalapa said there was no problem with saying that “all proceeds go to the hospital” because the word “proceeds” is a fundraising term that refers to net income.

“A lot of people in fundraising wouldn’t see that as a problem,” she said.

The source from within the Appco Group met Leanne Zalapa when they worked onsite at the Prince of Wales Hospital. They said that “Lulu”, the CEO, had told them, “You guys are doing a great job.”

Leanne Zalapa said “the only dealings” she had with the company was to talk to VIP Club Plus members – subscribers to the monthly raffle – to “tell them stories and let them know what a wonderful thing they’re doing.” She reiterated that this was “the only thing that is my responsibility.

Repeated requests for copies of annual financial reports from both charities were refused by the POWHF and went unanswered by the Mater Foundation.

Nicole Mackey, the Fundraising Institute Australia’s media contact, would not comment on whether the charities and the company had provided proper disclosure to ensure that the public was fully advised of the circumstances of the appeal.

“In general terms, the charity decides what appeal or campaign they wish to run and then works with the external company to implement it (if an external company is being used),” she said in an email. “The staff working on an appeal/campaign would receive training about the charity, the details of the appeal/campaign, and the code of conduct they are required to operate under.”

The national regulator, the Australian Charities and Not-for-Profits Commission (ACNC), would not comment on the situation on the grounds that it was a state regulatory matter.

“The regulation of agencies involved in fundraising activities such does not fall within the ACNC’s jurisdiction, as the regulation of fundraisers is each state’s responsibility,” said Murry Baird, ACNC Assistant Commissioner, in an email response.

A large proportion of funds raised in the POWHF appeal came from weekly road trips to rural areas including Tamworth, Bathurst, Lithgow and Eden. According to Leyla Tang, this was “because they don’t get that many fundraising people so it’s easier to get your targets and get money”.

Other former workers shared the same experiences of rural philanthropy. Kaye Kalithil, who was at Saffron Global Corp for three months, said, “On the road trips, you get more because the people – they don’t know about it.”

Leyla Tang said, “I don’t like the way I’d trick people into signing up. There would literally be a script to counteract each and every [objection]... We’re not forcing them but it’s playing mind tricks.”

Zara Coorey saw objection handling in a similar light, “Anything they throw at you, you keep knocking it back ... I didn’t really like forcing people into signing up to something they’re not too sure of.”

She noted that the company’s commission-based pay structure meant, “If you didn’t make the sale, you didn’t get paid”.

Money for accommodation, food, car hire and petrol for road trips came out of the workers’ pockets, amounting to \$100 per trip – paid in cash the Sunday before.

They expressed that working purely off commission and the added expenses amplified the pressure to make sales. The current Appco Group worker said during nine months at Saffron Global Corp, on most weeks they worked six full days and earned \$200.

Leyla Tang said the heads of Saffron Global Corp and the Appco Group “don’t dwell too much on [pay structure] – they talk more about when you go higher up, how much you earn... and didn’t really talk about the lower positions”.

When asked about the arrangements between the POWHF, the Mater Foundation and Saffron Global Corp, Leanne Zalapa said, “We’re all companies... [Charities are] stand alone companies that are subject to the same conditions.”

The relative indifference to transparency and accountability demands by a few in the charity sector poses a serious threat to public confidence in charities overall. In a statement to parliament on the government's bill to abolish the charities regulator, Prime Minister Tony Abbott said, "People serving our community don't deserve a new level of scrutiny."

Should givers be satisfied with a multibillion-dollar industry perpetuating a system that obstructs access to independent data about the organisations to which they give money?

On the costs of fundraising, Leyla Tang said, "X amount goes to our company or sales and marketing company, X amount goes to administration, X amount goes to that – and only a small percentage actually goes straight to charity." It is a statement that, under current regulations, is impossible to evaluate.