

Charity's financial records show donor 'blind spot'

Breast Cancer Canada overspent on fundraising: audited statement

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Breast Cancer Canada is a rising star among Canadian charities.



In just two years, its annual revenues skyrocketed from \$1.2 million in 2019/2020 to \$18.8 million in 2021/2022.

Most of the money raised, the charity said, goes toward funding medical research and raising awareness about the disease.

According to financial disclosures posted online, the charity spent more than 92 per cent of its nearly \$16 million in expenditures in 2021/2022 on “charitable activities.”

Breast Cancer Canada's website links to these financial disclosures, encouraging the public to “see our donor dollars at work” in the name of “financial accountability and transparency.” However, the charity has another set of financial documents that are not publicly displayed. These audited financial statements show the charity spending much differently.

The charity's audited financial statement for that same fiscal year shows that Breast Cancer Canada (BCC) only spent \$1.4 million on its charitable mission.

BCC spent \$13.9 million — most of the money it raised — on bankrolling its own fundraising, a Toronto Star/IJB investigation has found.

BCC filed both sets of financial records after the end of the fiscal year to the Canada Revenue Agency (CRA), which regulates charities. The agency says it does not necessarily verify the accuracy of the online disclosures before posting them to its website.

The audited financial statements, put together by an accounting firm hired by the charity, were also filed to the CRA. These documents were not posted online.

The discrepancy between the records reveals a blind spot for donors assessing how donations are spent — and raises questions about how the CRA is protecting donors' interests.

The CRA says that charities spending a lot on fundraising in comparison to how much money they raise can be cause for concern, as it may be a sign of improper fundraising practices.

Meanwhile, the techniques fundraisers used to solicit donations for BCC may have run afoul of the law and CRA guidance, the Star/ IJB found.

Money attributed to “charitable activities” in BCC's recent, publicly displayed financial disclosures went to a fundraising campaign in which external companies solicited donations at temporary stalls at supermarkets, bigbox stores and other venues. It is not clear from the documents how much went to this type of fundraising. Former fundraisers say the campaign deceived donors to induce donations.

Internal documents from two companies also show businesses' plans to pocket commissions as high as 60 per cent of onetime donations.

BCC has publicly reported for years that it does not pay external fundraisers — or spend money on fundraising at all.

“We have learned that in recent years certain expenditures should have been allocated to fundraising which were not,” BCC's CEO Kimberly Carson said in a statement to the Star/IJB. “We are committed to improving our internal processes and financial reporting practices.”

BCC has retained new accountants to assist with the preparation of its financial records, Carson said, and it will upload its audited financial statements to its website in future years “in the spirit of transparency.”

Carson said the charity neither knew about, nor endorsed any deceptive solicitations or practices. She said the charity also relies on other forms of fundraising and outreach, such as its Mother's Day Walk.

Additionally, Carson said, BCC lobbies government to better protect patients. “All of Breast Cancer Canada's activities are aimed at improving the detection, treatment, prevention, and ultimately finding a cure for breast cancer. Our sole motivation for engaging in those activities is to benefit patients.”

When the Star/IJB asked the CRA why it displays financial disclosures on its website while possessing conflicting financial statements, the agency said that, in general, it typically needs to do an audit “to determine if there are any discrepancies.” The CRA would not disclose whether it has audited BCC.

In spring 2023, BCC decided to “invest in our internal fundraising capabilities, including two new full time positions dedicated primarily to fundraising,” Carson added. Since then, BCC has been “sunsetting” its use of the fundraising companies, she said.

Until recently, BCC's audited financial statements showed an explosion in the charity's fundraising expenses, even as its publicly displayed disclosures said that spike in spending went toward its charitable mission.

For 2021/2022, the charity allocated \$13.9 million to “fundraising” costs, a big jump over the previous year's nearly \$4 million — which itself had been a large increase from the about \$600,000 previously spent on fundraising.

When the cost of fundraising is 35 per cent or more of fundraising revenue, the CRA will examine “if there is a trend of high fundraising costs,” the agency says on its website. Spending over 70 per cent on fundraising “will raise concerns.”

“A high fundraising ratio is an indicator that a charity may be engaged in fundraising that is not acceptable — forming a collateral noncharitable purpose, delivering a more than incidental private benefit, or being contrary to public policy or deceptive,” the CRA says.

BCC's fundraising costs have exceeded 35 per cent of its fundraising revenue every year since 2017/ 2018, with those costs spiking over 70 per cent in recent years, according to financial analysis by Charity Intelligence Canada, an organization that monitors charities.

The charity's audited financial statements stopped showing the spike in fundraising costs when the charity hired different auditors for its 2022/2023 fiscal year.

That year's audited financial statement, completed by the new auditors, included a recap of the prior year's finances, when the previous auditors had said \$13.9 million went to fundraising.

However, the charity now classified that 2021/2022 expenditure not as fundraising, but as money spent on “education and awareness.” BCC now did not record spending any money on fundraising in 2021/2022.

The change in auditors was “mostly to keep costs down,” said Carson. The previous auditors “just got too expensive.”

Forensic accountant Ken Froese, who reviewed the documents, said the new characterization of the spending is “deceptive.”

“There obviously were fundraising expenses and having zero is wrong,” he said. “It's consistent with there being either intent or extreme stupidity.”

The charity was equating raising money with raising awareness about breast cancer, which the charity publicly portrays as a charitable activity.

When the companies solicited donations, they used factsheets and scripted pitches to speak about the disease and medical research to passersby. The charity's website described the “Breast Cancer Canada popup kiosks” as “raising awareness” and “sharing information about groundbreaking breast cancer research,” with no mention of their fundraising function.

After the Star/IJB asked questions, BCC updated its website to say the popup kiosks had been “essential” to its mission of “raising funds and awareness for breast cancer.”

CRA guidance on fundraising says that “simply raising awareness about an issue or problem that a charity seeks to address, such as poverty, environment, or health concerns, is not a charitable activity.”

Carson said that, in all its activities, “our priority is always the patient and the research.”

When asked if the education and awareness program had a fundraising component, Carson said the program “sometimes raises some money, yes, but the intention of it is not necessarily to raise money.”

As for why the \$13.9 million allocated to the education and awareness program was previously categorized as a fundraising cost, Carson said: “Your guess is as good as mine on that one.”

Once when Najitha Gunawardena was collecting donations for BCC, he hugged a man choking up over the two family members he had lost to breast cancer, Gunawardena recalls.

As the man walked away, Gunawardena almost broke down crying himself — but not only out of sympathy.

He was also racked with guilt. Gunawardena worked in 2023 for the company Gusto Promotions. Now defunct, it was part of a sprawling network of more than a dozen interrelated companies that have fundraised for BCC across much of Canada. None of the companies named in this article responded to repeated requests for comment.

“I would drink by myself because I knew what I was doing was wrong,” Gunawardena said. “Honestly, this is a moneymaking scheme.”

Former fundraisers shared documents that include pitches they were meant to recite to passersby and records shedding light on arrangements for making commission on donations. A pitch that a former fundraiser said came from Ace Management Group, a GTA company, said “all the donations are going toward Genomics Research.” But another document, a sheet for calculating collected donations, shows a “60% payout” of onetime donations for company personnel.

A charity's oversight practices, the CRA says, should include “preapproving fundraising solicitation scripts or other representations.”

Carson said, “We do not have any information about scripts being used by anyone that was hired by Breast Cancer Canada.”

A 2022 document that a former fundraiser says was used by Executive Acquisitions, shows how both the entrylevel rankandfile and top brass were all supposed to make sizable commission on donations. The company did not respond to multiple requests for comment.

An entrylevel “associate” was meant to make a commission of 30 per cent, while a “senior partner” would earn a 45percent commission.

Meanwhile, a “managing partner” would make 10percent commission off the donations collected by others. If eight associates collected \$500 in donations for 10 days, the “managing partner” would make \$4,000 biweekly, the document says.

The company has fundraised in Alberta, where charitable fundraising businesses must be licensed and must disclose certain information in their solicitations, including the name of the fundraising business, the cost of fundraising, and how the business is being paid.

These requirements are meant to enable donors to make an informed decision and protect the public from “fraudulent, misleading or confusing solicitations,” the provincial legislation says.

Executive Acquisitions is unlicensed in the province, the government said. A copy of a pitch from the company does not contain this information.

A charity using a fundraising business must also register with the Alberta government. BCC is not registered, the government said.

Across multiple fundraising companies, many frontline fundraisers said they engaged in other deceptive practices as they followed the instructions or example of senior company figures.

Gunawardena and his coworkers would display whiteboards on which they wrote the names and donations of especially generous donors to encourage passersby to outdonate these “top donors,” he said.

“But these are completely random names,” he said. “All made up.”

This practice and writing similar falsehoods on whiteboards were widespread, allege nine other former fundraisers at seven additional companies.

Some fundraisers told donors they were volunteers, while others acknowledged working for a thirdparty company if asked, former fundraisers said.

“I used to say ... I'm volunteering for BCC, Breast Cancer Canada,” said Mridul Thomas, who collected donations for the charity as an international student. He also recalls writing fake names on his whiteboard.

“I personally found that unethical,” but it was “part of the job,” he said. “I was running short on money, so I didn't have a lot of questions.”

The fundraisers interviewed by the Star/IJB tended to be young adults trying to find footing in the professional world and international students or other newcomers. They frequently worked unpaid overtime — sometimes grinding 12 hours a day, more than five days a week — amid a revolving door of staff turnover, interviewees said.

“It doesn't really make sense wasting my energy and efforts in fooling people,” said Yug Dharawat, a former international student who fundraised for BCC. “That is not the thing I came here for.”

Froese said, “CRA should audit this type of scenario, though it might be more appropriate for the police to take a look at it.”

The courts have found that not disclosing a significant commission arrangement can be a form of fraud when such an omission misleads the reasonable donor, even if the paid fundraisers collecting donations don't outright lie and say they are volunteers.

In a case cited by public CRA guidance on fundraising, a man was convicted of fraud over \$5,000 for masterminding a “scheme” in which “apparent ‘volunteers’ ” made “handsome commissions” of 14 to 35 per cent on donations. “Does the failure to disclose a commission arrangement of between 14-35% constitute fraud in Canadian criminal law?” the judge wrote. “My conclusion is that it does.”

Vanessa Iafolla, an antifraud consultant and financial crime expert, said that even if the fundraising activity isn't fraudulent, she is “really disappointed to learn that the money is being earned in a way that doesn't match the kinds of ethical standards I would like to see in public engagement, especially around something as devastating as breast cancer.”

BCC's fundraising has come under scrutiny before.

In a 2015 CBC article, BCC said it had arrangements with 14 companies, which sold products at stalls featuring the charity's branding and logo. The charity received only 10 per cent of the retail price of the products, “something the customers and host retailers may be unaware of,” CBC reported.

At the time, a senior BCC employee told CBC: "I'm not going to say it's been a perfect ride. Sometimes a new employee's overambitious. You know they stretch the truth, and someone follows up and contacts me. Then the truth is told."

During the COVID19 pandemic, the charity turned to thirdparty organizations with expertise in raising awareness and fundraising that could adapt to restrictions on people's movements, Carson said.

"Relying on these organizations during this chaotic time allowed us
" (I am) really disappointed to learn that the money is being earned in a way that doesn't match the kinds of ethical standards I would like to see in public engagement, especially around something as devastating as breast cancer.

VANESSA IAFOLLA

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to focus on our primary mission of saving lives through breast cancer research, while ensuring that we were able to keep the lights on fueled by the generosity of donors."

Some former fundraisers told the Star/IJB that a version of the companies' pitch to potential donors hyped up a blood test meant to screen for breast cancer, casting it as a soontolaunch replacement of the mammogram, an Xray of the breasts that can be uncomfortable.

"We were saying, 'This is a blood test that's going to replace mammograms,' " recalled Zumeira Habibulla, who regrets having briefly collected donations for BCC in 2021 as an undergraduate student.

"These women who are getting tested do not like mammograms at all. ... So to have a simple blood test done, they were very inclined to listen and to donate."

When BCC heard fundraisers were saying the blood test would replace the mammogram, the charity had fundraisers change the pitch, according to former fundraisers.

Carson said the charity funds research to improve breast cancer detection, including blood tests, but there's currently no such publicly insured blood test. In any case, "mammograms would also remain an important diagnostic tool," she added.

Carson also said the stalls "spread awareness" about the importance of continuing to get mammograms during the pandemic.

Iafolla said the "very, very troubling" pitch reflects "an intent to mislead and an intent to secure donations by presenting a future that is closer and more optimistic than it likely is."

"You're allowing for miseducation to build, and for people to lack awareness of what's really going on."

WITH FILES FROM BLAIR BIGHAM, PRISHA DEV, MAEVE ELLIS AND PATRICK PEARSON.
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