

## Charity and the language we use...

*What's in a word or a phrase? Well sometimes a lot. Whether we appreciate it or not much of the language we use carries considerable extra weight and meaning due to history, perceptions, and baggage connected with it.*

I was fortunate a while back to attend a seminar by Vicki Sykes on the topic of *Business acquisition in the community sector in New Zealand*. Vicki is an interesting speaker and after 17 years as a CEO of a South Auckland charity she followed her passion to step back and do a University thesis on the topic of her presentation.

One of the quotes that Vicki used (and forgive me for not knowing to whom this should be attributed) was:

*"Remember that being a charity is a tax status; not a business model."*

That line struck me as powerful. One because of its simplicity. But perhaps more so due to it making me question my use of the word charity. There are so many assumptions we attach to a word. These are built up over time and become unquestioned. But when we sit back and consider them, sometimes we see that maybe these assumptions and perceptions we attach to a word can hold us back.

When I ask others, especially businesspeople, about the word charity as it relates to organisations, there seems to be a common understanding that this is an organisation that does good. People understand that they exist to serve some social or community benefit. The word charity is also associated with giving without expecting anything in return. A very noble attribute.

Yet these understandings or assumptions about the word charity when considering a charitable organisation also seem to blinker some people in their attitudes towards the organisation and how it operates.

For example, a large majority of people who give to a charity expect all their money to go exclusively to the cause. They don't make any allowance for the realities that someone has to run the charity and there will be the normal operating overheads associated with running any organisation such as wages, rent, insurance, and all the multitude of other non-sexy but important operating costs. These are the hygiene pillars that allow the charity to deliver its good charitable work.

Just because an organisation is a charity; why do so many people seem to assume that somehow all these other unavoidable operating costs will somehow not apply to it? Or maybe it is the assumption that someone else will be paying for those? Yet as anyone working in a charity will tell you; it is extremely rare to find donors and funders who are happy to fund the boring operational costs.

I've been incredibly fortunate recently to experience someone who has quietly removed a major operating cost for a particular charity via guaranteeing their rent for the next few years. This removal of the need to pay office rent for this charity's lease term is absolute gold to that organisation. In my view this generous benefactor deserves their praises being sung loudly from the rooftops. Yet as a further testimony to them they have requested anonymity.

This astute and hugely generous business person is unlike most I come across. For some reason many people who run successful businesses and intimately understand operational costs for their businesses seem to have a completely different mind-set when it comes to charities. Their focus is on all their donation going to the cause and nothing to paying the person who works in the charity delivering whatever it is that the charity does.

Hence I ponder the word charity (and the assumptions that go with it) and wonder if it is part of the problem?

### Are charities their own worst enemy sometimes?

I also think that many within charities perpetuate this problem.

As auditors and accounting specialists in the sector, we sometimes come across organisations trying to “fudge” their allocation of expenditure so that they can be “seen” to be applying more to directly to the cause, and hence keep their administration percentage low. Often there is concern, bordering on the irrational, from within charity management teams that there is some mythical “acceptable” percentage of administration costs.

I don't believe there is. And every organisation will of course be slightly different to others due to its unique features such as its particular structure, its scale, its area of operation etc.

All charities should of course strive to be as cost efficient as possible while delivering as effectively as they can. And in my experience most do. In fact, many put commercial for-profit businesses to shame with their cost efficiency and ability to effectively “run on the smell of an oily rag” as Granddad used to say. But perhaps those in the sector also need to get better, and braver, at honestly communicating what it takes to deliver their social or community good.

So I come back to the great quote used by Vicki. *“Remember that being a charity is a tax status; not a business model.”*

And add to this; *“Just because it is a charity doesn't mean it can run at no cost.”*

There will be costs to run the charity effectively and allow it to deliver its good work. Let's be realistic about this and let's see charities communicate this reality better.



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