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## Charitable Status

Posted by Clare - 2008/06/24 22:12

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I forgot about this, meant to tell you all about it earlier!

Tonight I was on a bus coming home from Glasgow and there was this man sitting using a mobile phone in a very loud voice. (I say this so that none of you get the impression that I was eavesdropping. As if..:) Anyway, he was saying to this other person: "No! The way round it is to go for charity status. What you do is, if you're a charity you can't make a profit, so you take your profits and allocate them as "bonuses" to your various executive people. Twenty grand to one, a couple of five grand bonuses to others, and each year you switch it around so everyone gets a "turn" but it doesn't show as a profit." I swear, people were actually gaping at him! Personally I was thinking "Well now I know how the One-Plus "charity" turned into such a major disaster for the taxpayer!" That was another non-profit making concern where millions are missing and WE'RE now going to have to pay it back!

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## Re:Charitable Status

Posted by TLJ - 2008/06/24 22:29

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i don't know much about charities - but there are certain criteria that need to be satisfied to qualify !

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## Re:Charitable Status

Posted by Levenax - 2008/06/24 23:02

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Clare wrote:

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Sounds about right. I was part of a group that campaigned against a charity setting up a centre in our area. They were actually land speculators because last year they sold land in Glasgow for way over £1M to a housing developer and then they pled that they had nowhere to build their "much needed" new facility. We saw them off but had they succeeded they would have stayed for a couple of years then sold the land on having gained planning consent. When we looked into their affairs they did very little charity work but they had a lot of managers all of whom drew a fat salary. The Office of the Scottish Charity Regulator was told about what we found but like all quangos they move at a snails pace. There are many wonderful charities in Scotland who do a huge amount of good with very little money and great efforts by their volunteers. It's a scandal that immoral shysters are allowed to get away with ripping off the taxpayer and stealing money that should go to good causes. On the few occasions when their shameful behaviour is exposed it damages, by association, the reputation of honest charities and reduces the amount the public feels able to give.

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## Re:Charitable Status

Posted by LYDIA REID - 2008/06/25 10:10

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<http://www.scvo.org.uk/scvo/Information/ViewInformation.aspx?al=t&page=&all=&from=DSR&Info=1&TCID=136&PageName=Charitable%20Status%20after%20April%202006>

The laws have changed dramatically just recently but not enough. The new laws are designed to stop the small time criminal but not the likes of the person you were listening to Claire. Unfortunately I believe we will always have criminals within charities.

Many years ago I worked as a District Manager for a charity which will only through necessity remain nameless.

I felt so much pride as I presented cheques of money that my hard work raised to help children with Kidney problems. It was a paid job but I felt the money would not have been available if I had not worked so hard.

I used my dog for publicity I used what ever I could (legally of course) to gain publicity for my stunts to raise money.

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I discovered only because one of my sons helped at a project of mine that cans were emptied but not all the money went into the charity. I gave all the info to the then commissioner for Scottish Charities and nothing happened.

I have never put a penny into a can since.

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## Re:Charitable Status

Posted by LYDIA REID - 2008/06/25 10:13

Levenax wrote:

Clare wrote:

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Well done

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## Re:Charitable Status

Posted by Meg - 2008/06/26 10:10

Clare wrote:

I forgot about this, meant to tell you all about it earlier!

Tonight I was on a bus coming home from Glasgow and there was this man sitting using a mobile phone in a very loud voice. (I say this so that none of you get the impression that I was eavesdropping. As if...)) Anyway, he was saying to this other person: "No! The way round it is to go for charity status. What you do is, if you're a charity you can't make a profit, so you take your profits and allocate them as "bonuses" to your various executive people. Twenty grand to one, a couple of five grand bonuses to others, and each year you switch it around so everyone gets a "turn" but it doesn't show as a profit." I swear, people were actually gaping at him! Personally I was thinking "Well now I know how the One-Plus "charity" turned into such a major disaster for the taxpayer!" That was another non-profit making concern where millions are missing and WE'RE now going to have to pay it back!

I have a family member who is an accountant and audits charities - both good and bad - so I asked her if this despicable man would get away with this. There seems to be two main points.

Firstly, in terms of the charity regulator, they would be in deep trouble because charities are expected to spend the money on things for which the charity was set up. (She also told me some general points about giving to charities which I thought were very interesting - though not specifically related to this man. I have added these at the end.)

Secondly in relation to this man, she said that from a financial (accounting) point of view, it would make no sense for this man to set up in this way. If he was trying to divert any profits from the tax man then he is actually going about it the wrong way. If he is paying bonuses to various employees of the charity then they will pay far more income tax on this than if he set up a normal business and paid himself/them a dividend and was taxed on this. Even if he had to pay corporation tax on top of this, he would pay less tax than would be paid in income tax. It looks like this man has a little knowledge which will be a dangerous thing for him.

The more general points about charitable giving which maybe of interest. I know accountants do not always get a good name but this is someone who has audited charities and has sat and cried at some of the letters she has read about

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people's stories when they have been fundraising - and then she has seen where the money has been spent. It's not that the charity has necessarily done anything that is illegal but this is probably not how people imagined their money being spent.

If you give money to a charity and do not specify how you want it spent e.g. popping money in a can, giving a charity a couple of pounds a month direct debit etc., then the charity can spend it on anything it likes. This kind of general giving is put into what is usually a general fund for the charity. You assume they will use the money where it is needed and of course many do. However, some, quite legally use the money for things that they will call things like "staff training" exercises but this may mean some staff members going away for luxury holidays, having slap up meals etc. As long as they can explain why they were doing this (e.g. team building) then this is seen as acceptable.

If this concerns you, it is better to give money for a specific reason as the charity must spend it on this reason and no other. This is checked up upon and they will be in trouble if they do not do this. As an example, if you gave money to a breast cancer charity and said that you wanted the money to be spent on looking for a cure to breast cancer then they can only spend the money on this - so not on treating current patients, breast cancer awareness etc., staff training etc. Second point she made was in relation to how much charities spend on what are seen as costs/expenses. Charities that are seen to have high costs are often looked at as bad administrators of their funds at best but she said this is not necessarily the case. For their accounting purposes, charities must show salaries as part of their costs. Some charities employ a lot of staff and for large charities this is usually their biggest cost e.g. children's case workers, research staff, nurses and doctors etc so their costs may seem very high but they are spending the money on legitimate and worthy reasons.

Sorry this has turned into a bit of an essay but as I found what she said interesting, I thought you all would too. I hope was right!

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## Re:Charitable Status

Posted by Robin T Cox - 2008/06/26 13:13

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Don't many public schools get special treatment owing to their charitable status? That seems a bit rich, when it's hard for poorer families to afford to send their kids there (despite a few scholarships).

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## Re:Charitable Status

Posted by Levenax - 2008/06/26 15:53

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Robin T Cox wrote:

Don't many public schools get special treatment owing to their charitable status? That seems a bit rich, when it's hard for poorer families to afford to send their kids there (despite a few scholarships).

I'm no fan of privilege but parents who choose to send their kids to a fee paying school still pay taxes to support state schools even though they don't use them, so the public purse still benefits hugely even though private schools have a favourable tax regime because they are charities.

The obvious solution IMO is to give parents vouchers so they could send their kids to the school of their choice. At the same time schools should be freed from the dead hand of local authority control then all that money we waste paying giant salaries to directors of education and their enormous staff of equality czars and basket weaving advisors could be spent making education work for the benefit of pupils and parents instead of fuelling a gravy train for leftoid sinecurists.

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## Re:Charitable Status

Posted by DavieDites - 2008/06/27 17:57

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Levenax wrote:

schools should be freed from the dead hand of local authority control

I'm a great fan of Paddy Leigh Fermor. He was a difficult child who was shunted from school to school as he became too hot to handle. One school was run by an ex-army major who felt that the kid's education would be advanced by dancing naked. So on Saturday nights the whole school, pupils, teachers and teacher's spouses, turned up to dance Strip the Willow in the buff. It all sounds very jolly.

Sadly, Paddy came down with a childhood ailment while there and had to go home. By the time he had recovered the

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local authority had closed the school.

Maybe you shouldn't knock local authority control too much..

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## Re:Charitable Status

Posted by Clare - 2008/06/28 10:04

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Meg, you were right. I found it all extremely interesting.

I remember years and years back when "Cancer Research" was exposed as a bit of a sham of a charity when we learned that the vast majority of donations went towards paying people within the organisation. Very little of the money actually went towards "research".

Thanks for getting all that info for us.

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## Re:Charitable Status

Posted by Levenax - 2008/06/28 11:10

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DavieDites wrote:

Maybe you shouldn't knock local authority control too much..

Tell me even ONE good thing about it. Apart from naked dancing.

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## Re:Charitable Status

Posted by DavieDites - 2008/06/28 12:18

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Hey Levenax

I don't know if it is safe to reply since you have reached the devil's number of posts!

Apart from being a pupil (many moons ago), I have no experience of education. I get the impression that you have been there, done that and have the scars to prove it.

Since you asked, here's one suggestion for the benefit of local authority control. The head master is not required to be a business manager and can concentrate on education without distractions of handling budgets, health and safety issues, overflowing drains and the like.

In Aberdeen last week, the local paper had a story on the problem filling head positions at a couple of schools because nobody wanted the stress. I would imagine that teaching is enough of a challenge without getting involved in administrative problems.

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