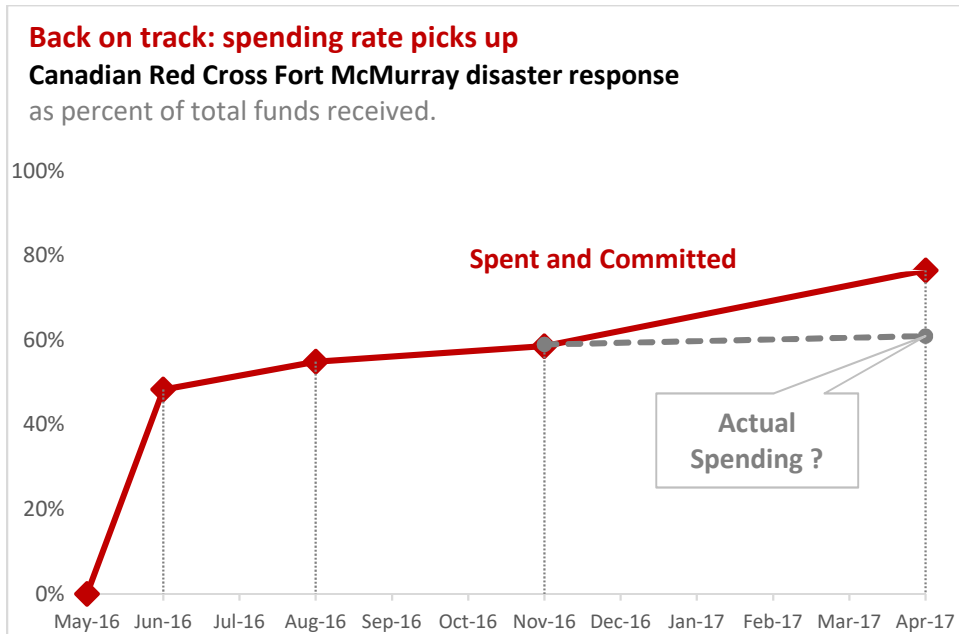


COMMITMENT ISSUES: Canadian Red Cross 1st year results

For the one year anniversary of Fort McMurray’s wildfire, Canadian Red Cross announced its results. Canadian Red Cross announced that, since the disaster on May 3, 2016, it has received \$323 million in funding and has spent and committed \$244 million. This would be 75% of funds received that are spent and committed – the fastest disaster response. Congratulations Canadian Red Cross.



Except, what does the new wording mean? Previously, Canadian Red Cross has clearly declared “money spent”. Now it is reporting “money spent and committed”. When the wildfire raged, Canadian Red Cross committed to help Fort McMurray’s recovery. Now there’s a new definition of commitment. To help understand this new category, Canadian Red Cross defines “spent and committed” as funds received that have been spent, and funds that are committed with contracts signed.

What isn’t clear is how much is spent: money out of Canadian Red Cross’s bank account and helping Fort McMurray’s recovery, rather than contracted amounts to spend in the future.

What if money spent is actually 61% of funds received? This 61% figure comes from Canadian Red Cross’s deferred accounting for fundraising costs presented in its *One Year Donor Update*¹. Canadian Red Cross reports fundraising costs of \$5.7 million recognized for the disaster response to date. This is 61% of the total \$9.4 million fundraising costs incurred to date. Deferred accounting rules match fundraising costs **to actual spending**. The deferred fundraising cost may show that actual spending is 61% of funds received.

If actual spending is 61%, this would show a significantly slower response to helping Fort McMurray get back on its feet. If actual spending is \$197 million, this would be materially different from the \$244 million headline.

Clear reporting is essential. Canadian donors need financial transparency. The \$323 million donated is not only the largest donor response to a Canadian disaster, donations to Fort McMurray's disaster response eclipse Canada's largest charities. To put the Fort McMurray disaster response in context, total annual donations to World Vision Canada are \$253 million, Salvation Army's donations are \$194 million, and Canadian Red Cross total donations in the prior year were \$140 million. Canadian donors shouldn't require accounting expertise to know what's going on.

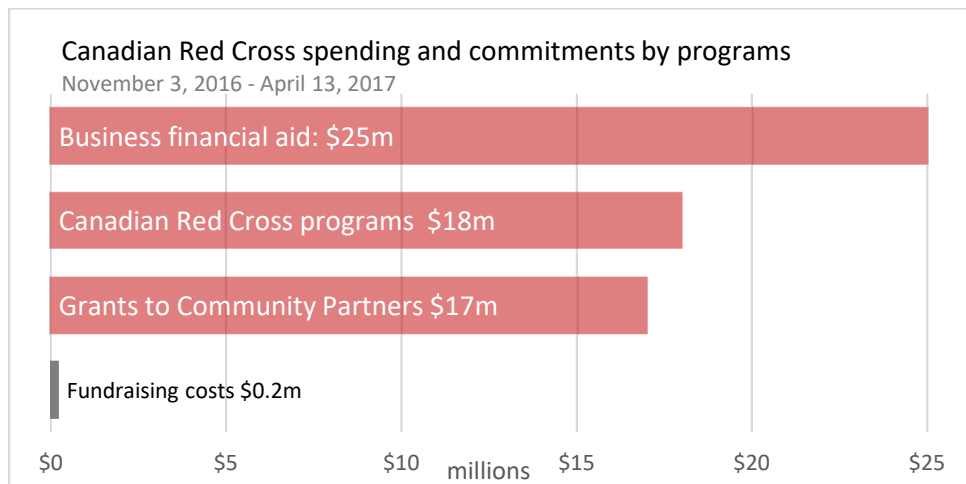
It's frustrating to be distracted by financial accounting details (although \$47 million is not "small stuff" in Canada's charitable sector). These important financial questions must not take the focus off the critical work in Fort McMurray's recovery. Rather than quibble about accounting, if the money is committed, get it spent. **Now is when people need help. Now is the hardest phase of Fort McMurray's disaster recovery.**

"We are in for the toughest period of recovery so far"

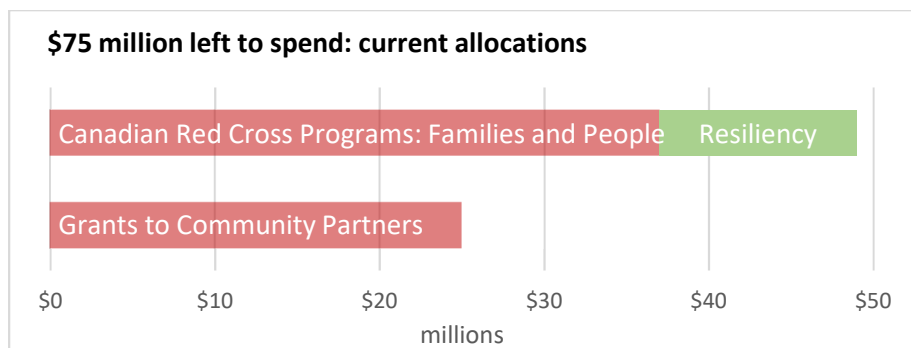
Dana Woodworth,
Recovery Team Leader,
Wood Buffalo Recovery Committee,
April 5, 2017²

Rundown of Results Reported by Canadian Red Cross: One Year Donor Update

For the period November 3, 2016 to April 13, 2017, financial aid to business was the largest area of money spent and committed. Canadian Red Cross spent and committed \$25 million. Spending and commitments to Canadian Red Cross programs helping families and individuals affected by the fire was \$18 million, followed closely by spending and commitments to local community organizations, of \$17 million.



Canadian Red Cross has \$75 million of the funds raised left to spend. This is currently allocated to:



Charity Intelligence reviews Canadian Red Cross disaster response through four major categories: direct aid, Canadian Red Cross programs, grants to local charities, and financial support to local businesses. In the different phases of disaster response, these categories play varying roles.

This report reviews Canadian Red Cross spending and commitments for each category.

1. Financial aid to small businesses

The largest area of spending in the recent period was financial aid to small businesses. On June 10, 2016, Canadian Red Cross committed \$30 million to small businesses in Fort McMurray, businesses with fewer than 50 employees. This was part of a \$75 million fund with the Regional Municipality of Wood Buffalo, the Alberta Government and the Government of Canada each contributing \$15 million. Each business was eligible to receive up to \$20,000 to cover uninsured losses, property damage, clean up, payroll and more³.

Canadian Red Cross set up a small business call in registration in July 2016. Over 3,200 small businesses registered and received emergency funding of \$1,000. 1,600 small businesses applied for Phase 2 funding. Administered by Marsh Canada, this distributed up to \$8,000 to eligible small businesses. Phase 3 is giving another \$11,000 to these small businesses, automatically assessed from the Phase 2 application so small businesses did not have to resubmit paperwork.⁴

“This funding was a life line ... a lot of Fort McMurray businesses would not be open without this funding”

This financial aid to businesses seems completed; Canadian Red Cross has fulfilled its commitment in 10 months! According to Wood Buffalo councillor Marty Gill, the business application was quite simple and took only 20 minutes to complete⁵.

Maxime Willocks
Owner - Chex Max,
Jamaican restaurant⁶

2. Canadian Red Cross programs to help families and individuals

Canadian Red Cross programs spent and committed \$18 million helping families and individuals between November 2016 and April 2017. Aid includes money for

housing costs (rent, mortgage payments, utilities), food, clothing and overall wellness, for up to three months. Through one-on-one individual assessments, Canadian Red Cross provides personalized recovery planning and skills for psychological recovery. Canadian Red Cross workers walk people through the process of cleaning, replacing items, signing up for social assistance and making referrals to local charities and agencies that can also help⁷.

Canadian Red Cross has held more than 19,000 one-on-one individual appointments, a huge increase. As of September 2016, Canadian Red Cross reported that 2,500 people in Fort McMurray had received initial assessments and support, with an additional 1,200 people across Canada who had evacuated from Fort McMurray⁸.

Going forward, Canadian Red Cross is focused on helping the most vulnerable – the uninsured and the under-insured. Also, the battle with insurance claims is bogged down. In November 2016, 30,000 insurance claims were outstanding – 63% of the total claims⁹. Insurance Bureau of Canada estimates insurance claims for Fort McMurray’s rebuilding will be \$3.6 billion¹⁰.

During this recent period, Canadian Red Cross reports a 32% increase in families receiving housing support to 11,900 from 9,000 previously reported. This could be an upward revision in previous numbers reported, or an additional 2,900 families coming to Canadian Red Cross seeking financial help during the last months.

Similarly, **Canadian Red Cross reports its 13 call centres received more than 147,000 calls, a 37% increase or 40,000 more calls from the figures reported in November 2016**. Again, this could be an old number revised upwards with new information, or it could show a significant spike in people reaching out to Canadian Red Cross for help since November 2016.

Fort McMurray’s wildfire destroyed 2,579 residences in 1,595 buildings. This spring and summer will see frenetic building. As of April 3, 632 permits have been issued for development structures and 998 permits for homes¹¹.

Going forward, Canadian Red Cross is budgeting \$37 million to help families and individuals.

3. Grants to Local Charities and Community Organizations

Between November 2016 and April 2017 Canadian Red Cross had **its largest granting yet, spending and committing \$17 million to local charities and community organizations**. This sizable increase compares to \$6 million granted by August 2016, and \$2 million granted by November 2016.

Grants to local charities and other community organizations total \$24 million for the Fort McMurray response. Canadian Red Cross is currently committed to grant \$50 million to community partners - 48% complete towards this goal.

In this granting stream is a large commitment to **donate \$10 million to the Regional Municipality of Wood Buffalo** over 3 years to help prepare for future disasters and for safety and wellness workshops, disclosed Conrad Sauvé, Canadian Red Cross President and CEO, in an interview with The Globe and Mail.¹²

This granting stream also includes a **\$1.2 million grant to be administered by United Way Calgary and United Way Edmonton** to aid people and organizations affected by the Fort McMurray fire to be spent by December 2017.¹³

From the \$17 million spent and committed, removing these 2 big grants, leaves \$5.8 million disbursed and committed to 22 other community partners. Average community grants were \$260,000 for the period, compared with \$71,000 in November, and \$344,000 in the August reporting period.

Of the 24 community organizations receiving Canadian Red Cross grants, 21 are first time recipients, 3 are “repeat” organizations receiving additional grants.

Canadian Red Cross grants to Community Partners¹⁴

November 2016 to April 2017

All New Recipients, Unless Noted	Charity Name	Program Funded
1	Association Canadienne-Francaise de l'Alberta	Community consulting and French-speaking mental health programs
2	Big Brothers Big Sisters of Wood Buffalo United Way funded	Annual duck race ... <i>and, hopefully, at least an average grant of \$260,000 to help replace its annual community donations that keep its programs operating.</i>
3	Borealis Counselling	Mental health counselling programs focusing on mindfulness and support groups
4	BrainSTEM Alliance	Youth science, technology, engineering and math programs
5	Educare	Clean up and repairs to re-open children's programs
6	Family Christian Centre	Christmas community event
7	Fort City Church	Summer camp for children and youth with extended hours to help families; Christmas event
8	Fort McMurray Catholic School District	Santa Anonymous: holiday hampers for those in need

9		Fort McMurray SPCA	Emergency relief reimbursement: 10,000 pets rescued during fire and emergency vet services, shelter and reunification. <i>Hopefully, at least an 'average grant' of \$260,000 to reimburse its heroic disaster relief efforts now used in Canadian Red Cross client story.</i>
10		Fort McMurray Minor Hockey Association	Re-entry lunch at the arena in Beacon Hill
11		Girls, Inc. United Way funded	Stay Strong resilience program for girls 8-14 in Fort McMurray
12		Keyano College	Sponsored annual Arts and Humanities conference
13		Legacy Counselling Centre	Fort McMurray crisis aid to fund one additional counsellor
14		Nistawoyou Association Friendship Centre	2016 National Aboriginal Day celebration in Fort McMurray – <i>additional details in Canadian Red Cross focus story on community partnerships in One Year Donor Report</i>
15		Psychologist Association of Alberta	Funding for additional mental health services and counselling
16	REPEAT	SOS for Crisis Prevention	Funding to rebuild volunteer team that runs the 24/7 crisis line
17		St. Aidan's Society United Way funded	Funding to support healing programs
18		Stephen's Backpacks	Funding for backpacks and school supplies
19		United Way Calgary and United Way Edmonton fund	\$1.2 million fund to grant to Edmonton and Calgary local charities and organizations that help people affected by the Fort McMurray fire.
22		Youth With A Mission	Funding for Thursday night supers for Fort McMurray poor families, homework help, and resource referrals
23	REPEAT	Regional Municipality of Wood Buffalo	<p>Funding for 3 years: \$10 million grant to fund FireSmart program¹⁵, playground restoration and repair youth programs and mental health workshops, an Indigenous wildfire-inspired public artwork, May 3 2017 'Resiliency Day Recognition' event</p> <p>Additional grants for: Thanksgiving hampers to 1,300 local residents in need.</p> <p>Vista Ridge – wholly-owned by Regional Municipality of Wood Buffalo – outdoor recreation park with ski hills and zip lining, ropes course in the summer. Funding to pay for park tickets for families, classified as Canadian Red Cross as "Emergency Relief Grants"</p>

24	REPEAT	Wood Buffalo Food Bank	Emergency hampers to those in need
			2 previous grants, one grant in August 2016 \$1.4 million.

Canadian Red Cross has given/committed more than 42% of the grant money to the Regional Municipality of Wood Buffalo. The Regional Municipality of Wood Buffalo is the key community partner to Canadian Red Cross. The municipal government is likely facing tough times with decreased property tax revenues, a loss of 15,000 residents who evacuated and have not returned to Fort McMurray, and continuing low oil prices. At the same time, it is facing enormous demands on its infrastructure as it rebuilds and recovers. Slave Lake's experience in *Wisdom Gained* provides valuable insights into how disasters strain local governments. With \$50 million committed, there is more than enough money to help so many community organizations; **Charity Intelligence supports Canadian Red Cross funding the Wood Buffalo municipal government.**

This may be a new direction in granting for Canadian Red Cross. Historically, Canadian Red Cross reported *"assistance will not duplicate existing support available from municipal or provincial governments, or from insurance."*

Wood Buffalo's FireSmart program is receiving \$10.5 million from the Alberta government over 3 years, in addition to the Canadian Red Cross grant¹⁶. Similarly, the wildfire recovery has cost the municipal government \$147.7 million. All but an estimated \$6.1 million is reimbursed by the Alberta government's Disaster Recovery Program¹⁷. Canadian Red Cross grants to the Regional Municipality of Wood Buffalo provide additional funding on top of provincial funding.

Canadian Red Cross donations to the municipal government do raise an interesting question: should charitable donations "top up" government-funded programs, or should donations "fund the gaps", fund programs and services governments don't? Donors may have strong opinions on this issue.

Either way, Canadian Red Cross's \$10 million donation to the Regional Municipality of Wood Buffalo should be clearly disclosed in the One Year Donor Update and in Community Partnership reports. For best practices in disclosure, United Way Fort McMurray has audited statements for the year ending December 2016 with grantees and amounts, including granting and overhead costs.

Of concern is that some small frontline charities and not-for-profits in Fort McMurray are in dire straits. Fuse Social is a “hub” for Fort McMurray’s charities and non-profits. Funded by RBC Foundation, Fuse Social’s surveys provide critical feedback on how Fort McMurray’s frontline charities and non-profits are coping¹⁸.

Fuse Social’s December 2016 key findings on the wildfire impact are:

- 77% report a negative financial impact,
- 67% of local organizations have experienced a material loss in annual revenues (those mostly dependent upon community donations rather than government-funded charities),
- 52% are concerned about their organization’s future,
- 36% are ineligible for Canadian Red Cross funding,
- 16% lack the staff or time to complete Canadian Red Cross’s lengthy application,
- **63% are reporting an increase in demand for their services and programs**, at the same time fewer local donations and volunteers are available to provide these programs.

Since this survey, Canadian Red Cross and the United Way held workshops to help smaller organizations understand and complete the grant funding application process.

Nevertheless, a year after the fire, Canadian Red Cross has promised more than \$26 million to local charities yet grants are not connecting with these numerous small frontline charities and not-for-profit organizations.

In every disaster, local charities that rely on volunteers and community donations (rather than government funding) are most vulnerable. Disasters hit the local economy; local donors don’t have the disposable income to support their local charities, whether it be their church, Boys Scouts, or chess club. Similarly, with the overwhelming work involved in recovery, fewer locals have the spare time to volunteer as they did before.

“...This tragedy has deeply affected our organization. We have lost everything and used all our cash reserves to survive... if we are able to pull through which is not sure yet, we will need to cut back on our services and staff to be able to keep our organization alive.”

“we are becoming a hub for our indigenous community members”

“only certain social profits seem to be getting all the support while other are floundering”

“we are financially stable and fully operational”

“we need more staff because of the increased workload”

“It’s a struggle ...we had to absorb two of the other scouting groups that did not have enough volunteers to continue so we have absorbed their operating costs on reduced fundraising dollars”

Comments taken from Fuse Social’s surveys on local groups

Maybe direct aid could fund local charities and not-for-profit organizations. Direct aid has proven very effective in helping individuals and families. Similarly, in the Fort McMurray response, helping small businesses get back on their feet was a priority and done within the year. The funding to small businesses involved a 20-minute application. Perhaps charities could be treated similarly. **As with small businesses, local charities need a financial lifeline to keep their doors open.**

Direct aid to local charities would be simple: every charity is already registered with the Charities Directorate. With a charity's registration number, all its information about donations, other revenues, cash and investments on hand, and number of staff is on the public record. Rather than having to meet eligibility requirements and complete applications, direct aid could be dispersed on a transparent formula of how much community support (donations and fundraising revenue) the charity received in the year before the disaster. This would ensure all local organizations are not financially imperiled by a natural disaster, when demand for their programs and services is greater than ever and, instead, they have the money to best help the community recover.

Going forward, Canadian Red Cross has a March 31st fiscal year end. With a new Chief Financial Officer, Charity Intelligence hopes that Fort McMurray's disaster response operations are well reported. In the Lac Megantic and Southern Alberta Floods disaster response, the audited financial statements lumped disaster spending into only one expense line. This time, Charity Intelligence hopes Canadian Red Cross is committed to providing an income statement, balance sheet and cash flow statement for Fort McMurray's disaster response. We look forward to reviewing the audited financial information in Fall 2017.

“The unprecedented trust that Canadians have shown us, this support, is crucial and we need to report back on how the money is spent”

Condrad Sauve, President and CEO,
Canadian Red Cross¹⁹

Canadian Red Cross: Fort McMurray Disaster Response						
Months reporting	1 month	2 months	3 months	~6 months	Total	Future
Reporting period end	Jun – 16	Aug-16	Nov -16	Apr-17		Allocat'n
All \$ in millions						
REVENUES:						
Donations	136	29	20	4	189	
Government of Canada	90	14	-	-	104	
Government of Alberta	30	-	-	-	30	
Interest income on unspent balance	-	-	-	-	-	
Total Funding	256	43	20	4	323	
SPENDING:						
Direct Aid – cash transfers to Fort McMurray evacuees	75	-	-	-	75	
Transportation aid	15		-	-	15	
Cash cards and vouchers	9				9	
Total direct aid		99	-	-	99	
Community Partnerships: Grants to Fort McMurray charities and community organizations	-	6	2	17	24	26
Grants to businesses	-	2	2	25	29	-
Canadian Red Cross programs						
Disaster response: registering 65,000 families, deploying +2,630 staff and volunteers, 8 evacuation centres	18					
Recovery assistance: recovery centres, cleaning supplies, interim housing, call centres		29				
Client need assessments, recovery help with money for housing etc.			16	18		37
Supports to make business grants		3				
Community resilience						12
Red Cross staff and management costs – not broken out from above items						
Total Canadian Red Cross Programs	18	32	16	18	84	49
Fundraising costs - 5% of donations	7	1	1	0	9 ²⁰	
Future planning and preparedness	-	-	3		3	
Total spending	124	40	23	61	248¹⁹	75
Remaining funding	132	135	132	75	75	

The information in this report was prepared by Charity Intelligence Canada and its independent analysts. Factual material information is obtained from the charity and reliable sources. Information may be available to Charity Intelligence Canada or its analysts that is not reflected in this report. Charity Intelligence Canada and its analysts have made endeavours to ensure that this data in this report is accurate and complete but accepts no liability.

Endnotes and sources:

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- ¹ Canadian Red Cross, *One Year Donor Update: 2016 Alberta Fires*, April 24, 2017, Financials page 4-5 http://www.redcross.ca/crc/documents/Where-We-Work/Canada/Alberta/AlbertaFiresInfo/AB-Fires_One-Year_Report_en.pdf
- ² Cullen Bird, *"Spring rebuild will be tough, Recovery Committee told"*, Fort McMurray Today April 5, 2017 <http://www.fortmcmurraytoday.com/2017/04/05/spring-rebuild-will-be-tough-recovery-committee-told>
- ³ Canadian Red Cross, *One Year Donor Update*, page 8
- ⁴ Canadian Red Cross, webpage Support to small business: Ensuring community recovery and resilience <http://www.redcross.ca/how-we-help/current-emergency-responses/alberta-fires/alberta-fires-support-for-small-business>
- ⁵ Cullen Bird, *"Recovery committee hears project updates"*, Fort McMurray Today, November 23, 2016 <http://www.fortmcmurraytoday.com/2016/11/24/recovery-committee-hears-project-updates>
- ⁶ Canadian Red Cross, YouTube video "Owners of Chez Max restaurant grateful for small business support" <https://www.youtube.com/watch?v=puicblJtvm8>
- ⁷ Guy Choquet, Director of Operations for Alberta Fire Recovery, Canadian Red Cross, presentation to Wood Buffalo Recovery Committee. Listen to Choquet's presentation: <http://www.mymcmurray.com/2016/09/15/red-cross-updates-progress-for-supporting-community/>
- Vincent McDermott, *"Aid for uninsured, underinsured residents arriving shortly: Red Cross"*, Fort McMurray Today, September 15, 2016 <http://www.fortmcmurraytoday.com/2016/09/15/aid-for-uninsured-underinsured-residents-arriving-shortly-red-cross>
- ⁸ Sarah Anderson, *"Red Cross updates progress for supporting community"* MyMcMurray, Sept 15, 2016 <http://www.mymcmurray.com/2016/09/15/red-cross-updates-progress-for-supporting-community/>
- ⁹ Janet French, *"Rebuilding Fort McMurray is only just the beginning: Fort McMurray residents trying to repair and rebuild after the May 2016 wildfire are running into numerous obstacles to progress"*, Edmonton Journal, April 26, 2017 <http://edmontonjournal.com/feature/rebuilding-fort-mcmurray-is-only-just-beginning>
- ¹⁰ Kelly Cryderman, *"Fort McMurray wildfire to cost insurers \$3.6 billion"*, The Globe and Mail, July 7, 2016 <http://www.theglobeandmail.com/report-on-business/fort-mcmurray-wildfire-damage-to-cost-36-billion-insurance-bureau/article30788517/>
- ¹¹ Cullen Bird, *"Spring rebuild will be tough, Recovery Committee told"*, Fort McMurray Today April 5, 2017 <http://www.fortmcmurraytoday.com/2017/04/05/spring-rebuild-will-be-tough-recovery-committee-told>
- ¹² Globe and Mail, *"Three-quarters of \$323 million raised for Fort McMurray, spent, committed: Red Cross"*, April 23, 2017 <http://www.theglobeandmail.com/news/alberta/three-quarters-of-323-million-raised-for-fort-mcmurray-spent-committed-red-cross/article34801320/>
- ¹³ United Way Calgary, "Red Cross RFP" <http://www.calgaryunitedway.org/our-work/red-cross-rfp>
- ¹⁴ Canadian Red Cross, *Alberta Fires 2016 Community Partnerships: One Year Update*, April 24, 2017 http://www.redcross.ca/crc/documents/Where-We-Work/Canada/Alberta/AlbertaFiresInfo/AB-Fires_One-Year_Report_en.pdf

[Year Community Partnerships Report.pdf](#) Charity Intelligence identifies the community partners who received \$17 million during the November 2016 – April 2017 period referring to previous Canadian Red Cross partner reports.

¹⁵ Jenna Hamilton, “RMWB to receive \$10.5 million in fire prevention funding”, MyMcMurray, April 13, 2017 <http://www.mymcmurray.com/2017/04/13/rmwb-receive-10-5-million-fire-prevention-funding/>

¹⁷ Cullen Bird, “Recovery Committee told recovery has costs \$147.7M”, Fort McMurray Today, April 20, 2017 <http://www.fortmcmurraytoday.com/2017/04/20/recovery-committee-told-recovery-has-cost-1477m>

¹⁸ Fuse Social, *Survey #2: Wildfire Impact on the Social Profit Sector in Wood Buffalo* December 8, 2016 <http://fusesocial.ca/working-together-to-stay-strong-2/>

¹⁹ Global News video of interview April 24, 2017 <http://globalnews.ca/news/3399587/canadian-red-cross-says-75-of-record-fort-mcmurray-wildfire-donations-spent/>

²⁰ Canadian Red Cross is reporting having spent and committed \$244 million whereas Charity Intelligence is reporting \$248 million. This is due to a discrepancy in deferred fundraising costs. Canadian Red Cross is electing to “restrict” donations received for the Fort McMurray Wildfire and is deferring fundraising costs. The fundraising costs will be neatly matched to spending. Canadian Red Cross has incurred fundraising costs of \$9.4 million and has “recognized” to date, \$5.7 million – 61%. The \$3.7 million difference Charity Intelligence rounds to the nearest million, \$4 million. Charity Intelligence prefers to report consistently on a cash basis that aids comparisons. See Charity Intelligence article on charity accounting “Crunchy or Smooth”.

[Previous Charity Intelligence donor reports on Fort McMurray’s disaster response](#)

- [Fort McMurray 6 Month Update](#)
- [Fort McMurray 3 Month Update](#)
- [Fort McMurray 2 Month Update July 7, 2016](#)
- [Fort McMurray Local Charities to get \\$50 million commitment from Canadian Red Cross](#) – June 3, 2016
- [Canadian Red Cross gives \\$25 million more to evacuees with re-entry scheduled to begin shortly](#) – May 30, 2016
- [Charity Intelligence recommends giving to Fort McMurray local charities in disaster response](#) – May 5, 2016

About Charity Intelligence: Charity Intelligence researches Canadian charities for donors to be informed and give intelligently. Charity Intelligence’s website posts ratings and free reports on more than 700 Canadian charities. Today over 304,770 Canadians use Charity Intelligence’s website as a go-to source for information on Canadian charities and have downloaded over 2.2 million charity reports. Through rigorous and independent research, Charity Intelligence aims to assist Canada’s dynamic charitable sector in being more transparent, accountable and focused on results.

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