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ETHICAL CODE HANDBOOK



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THE ETHICAL CODE PROGRAM

The *Ethical Fundraising and Financial Accountability Code* (Ethical Code) sets standards for charities in the areas of fundraising and financial reporting practices. It was developed by Imagine Canada in consultation with charities across the country. The current version was released in the fall of 2007 and revised in the fall of 2008. The Ethical Code is reviewed annually to ensure that it remains timely and relevant.

Any charity may use the Ethical Code to improve and monitor its fundraising and financial reporting practices.

Charities wishing to make a public commitment to ethical fundraising and financial accountability may apply to join the Ethical Code Program. Program participants are authorized to use a trustmark that signals to donors that they comply with the Code's standards.

HOW THE PROGRAM WORKS

To join the Ethical Code Program, charities must complete an application form and submit supporting documentation and the appropriate fee. More details about the application requirements can be found in the Ethical Code Program Application.



Compliance with the Ethical Code is monitored through a complaints-based process. Members of the public, donors and other stakeholders may lodge a complaint concerning any Program participant. Complainants will be encouraged to discuss their concerns directly with the charity involved. If the situation cannot be resolved in this way, the Ethical Code Committee will receive and review the complaint and deliver sanctions if necessary.

The Ethical Code Committee is an arms-length body comprised of experts in matters related to fundraising and financial reporting. In addition to reviewing complaints, the Committee can informally review practices and answer questions related to the Ethical Code.

The full process to review and manage complaints is laid out in the *Protocol for Complaints* that can be found on the Ethical Code website (www.imaginecanada.ca/en/ethicalcode).

PROGRAM REQUIREMENTS

ANNUAL REPORTING PROCESS

Each year, participants are required to submit updated financial statements and complete a short report outlining:

- the number and types of complaints received related to the Ethical Code,
- any concerns raised by regulators over the previous year, and
- confirmation by the Executive Director/CEO that the Code is still in use and that new staff and board members have been provided with a copy.



Canadian Federation of Humane Societies

BIENNIAL RENEWAL

Every two years, participants must renew their participation in the Program by:

- passing a new board resolution renewing their commitment to the Code,
- submitting updated financial statements, T3010 filing, and annual report,
- signing a new licence agreement,
- submitting the biennial fee, and
- completing a questionnaire.



YWCA Vancouver

PROGRAM RESOURCES

Imagine Canada has developed a number of resources designed to help charities implement the Ethical Code. Resources include an *Interpretation Guide* with guidelines and definitions. The Guide will continue to be expanded and is available online (http://www.imaginecanada.ca/files/en/ethicalcode/ethical_code_intrepretation_guide_20081008.pdf).

Other resources available online include FAQs and a template to assist with presenting the Ethical Code to boards of directors or senior staff. Visit the Ethical Code website (www.imaginecanada.ca/en/ethicalcode) for these resources as well as the most up-to-date list of Program participants.

ETHICAL FUNDRAISING AND FINANCIAL ACCOUNTABILITY CODE

The registered charity undertakes to adhere to the standards set out in the Imagine Canada *Ethical Fundraising and Financial Accountability Code* in its treatment of donors and the public, its fundraising practices and its financial transparency, and to be accountable through its Board of Directors for doing so.

Approved by the Imagine Canada Board of Directors in September 2008.

A DONOR POLICIES AND PUBLIC REPRESENTATIONS

- 1** The charity shall prepare and issue official Income Tax receipts for monetary gifts and for gifts-in-kind pursuant to any policy established and published on minimum amounts to be receipted and in compliance with all regulatory requirements. The charity shall acknowledge in writing contributions not entitled to be officially receipted, subject to any policy established and published on minimum amounts to be acknowledged.
- 2** All fundraising solicitations by or on behalf of the charity shall disclose the charity's name and the purpose for which funds are requested. Printed and online solicitations (however transmitted) shall include its address or other contact information.
- 3** The charity shall provide the following information promptly upon request:
 - the charity's most recent annual report and financial statements as approved by the governing board;
 - the charity's registration number (BN) as assigned by the Canada Revenue Agency (CRA);
 - any information contained in the public portion of the charity's most recent Charity Information Return (form T3010A) as submitted to CRA;
 - a copy of the Charity's Investment Policy relating to its investable assets, if applicable (see C8);
 - a list of the names of the members of the charity's governing board; and
 - a copy of this *Ethical Fundraising and Financial Accountability Code*.
- 4** The charity or those fundraising on its behalf shall disclose, upon request, whether an individual or entity soliciting contributions is a volunteer, an employee or a contracted third party.
- 5** The charity shall encourage donors to seek independent advice if the proposed gift is a Planned Gift and/or the charity has any reason to believe that the proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.
- 6** The charity shall honour donors' requests to remain anonymous in respect to:
 - being publicly identified as a supporter of the organization; and/or
 - having the amount of their contribution publicly disclosed.
- 7** The privacy of donors shall be respected. Any donor records that are maintained by the charity shall be kept confidential to the greatest extent possible. Donors shall have the right to see their own donor record, and to challenge its accuracy.
- 8** If the charity exchanges, rents, or otherwise shares its fundraising lists with other organizations, a donor's request to be excluded from the list shall be honoured.
- 9** Solicitations by or on behalf of the charity shall treat donors and prospective donors with respect. Every effort shall be made to honour their requests to:
 - limit the frequency of solicitations;
 - not be solicited by telephone or other technology;
 - receive printed material concerning the charity;
 - discontinue solicitations where it is indicated they are unwanted or a nuisance.
- 10** Recognition mechanisms created due to a gift shall not be arbitrarily changed or withdrawn. Unless otherwise negotiated at the time of the gift or changed through a joint agreement between the charity and the donor or the donor's family or legal representative, the original form of the recognition mechanism will be maintained. If the mechanism cannot be physically retained, it will be changed to another consistent with the original agreement. If continuation of the recognition creates a reputational risk for the charity, it may be terminated or altered.
- 11** The charity shall respond promptly to a complaint by a donor or prospective donor about any matter that is addressed in this *Ethical Fundraising and Financial Accountability Code*.

- 1 Fundraising solicitations on behalf of the charity shall:
 - be truthful; and
 - accurately describe the charity's activities and the intended use of donated funds.
- 2 The charity shall not make claims that cannot be upheld. It shall refrain from using marketing materials or making representations that could be misleading. The charity shall not exploit its beneficiaries. It shall be sensitive in describing those it serves (whether using graphics, images or text) and fairly represent their needs and how these needs will be addressed.
- 3 When the charity conducts online solicitations its practices shall be consistent with or exceed the provisions of the Canadian Code of Practice for Consumer Protection in Electronic Commerce, which is downloadable at: [http://www.cmcweb.ca/epic/site/cmc-cmc.nsf/vwapj/EcommPrinciples2003_e.pdf/\\$FILE/EcommPrinciples2003_e.pdf](http://www.cmcweb.ca/epic/site/cmc-cmc.nsf/vwapj/EcommPrinciples2003_e.pdf/$FILE/EcommPrinciples2003_e.pdf)
- 4 When the charity conducts face-to-face solicitations, including but not limited to door-to-door campaigns or street-side fundraising, its practices shall include measures to:
 - provide verification of the affiliation of the person representing the charity; and,
 - secure and safeguard any confidential information, including credit card information, provided by donors.
- 5 Volunteers, employees and third party consultants/solicitors who solicit or receive funds on behalf of the charity shall:
 - adhere to the provisions of this Ethical Fundraising and Financial Accountability Code;
 - act with fairness, integrity, and in accordance with all applicable laws;
 - adhere to the provisions of applicable professional codes of ethics, standards of practice, etc.;
 - cease solicitation of a prospective donor who identifies the solicitation as harassment or undue pressure, or who states that he does not wish to be solicited;
 - disclose immediately to the charity any actual or apparent conflict of interest or loyalty; and
 - not accept donations for purposes that are inconsistent with the charity's objects or mission.



CNIB

- 6 The charity shall provide, upon request, its best available information on the gross revenue, net proceeds and costs of any fundraising activity (including the fundraising costs categorized as education and/or public awareness) it undertakes.
- 7 The charity shall not, directly or indirectly, pay finder's fees, commissions or percentage compensation based on contributions.
- 8 Charities that undertake cause-related marketing in collaboration with a third party shall disclose how the charity benefits from the sale of products or services and the minimum or maximum amounts payable under the arrangement. If no minimum amount is specified, the charity should disclose this.
- 9 The charity shall not sell its donor list. If applicable, any rental, exchange or other sharing of the charity's donor list shall exclude the names of donors who have so requested (as provided in section A8, above). If a list of the charity's donors is exchanged, rented or otherwise shared with another organization, such sharing shall be for a specified period of time and a specified purpose and must be limited to what is allowed under Federal and/or Provincial privacy legislations.
- 10 The charity's governing board shall be informed at least annually of the number, type and disposition of complaints received from donors or prospective donors about matters that are addressed in this *Ethical Fundraising and Financial Accountability Code*.

- 1 The charity's financial affairs shall be conducted in a responsible manner, consistent with the ethical obligations of stewardship and all applicable law.
- 2 All donations shall be used to support the charity's objects, as registered with CRA.
- 3 All restricted or designated donations shall be used for the purposes for which they were given unless the charity has obtained legal authorization to use them for other purposes. Alternative uses will be discussed where possible with the donor or the donor's legal designate. If the donor is deceased or legally incompetent and the charity is unable to contact a legal designate, the donation will be used in a manner that is as consistent as possible with the donor's original intent. If necessary, the charity will apply to the courts or the appropriate regulatory body to obtain legal authorization to use the donation for other purposes.
- 4 Annual financial reports are necessary to achieve transparency and accountability to donors and the public. All charities issuing receipts should produce them and make them easily accessible. Financial reports should:
 - be factual and accurate in all material respects;
 - disclose the gross amount of fundraising revenues (receipted and non-receipted);
 - disclose the total amount of fundraising expenses (including salaries and overhead costs);
 - disclose all donations that are receipted for income tax purposes;
 - disclose the total amount of expenditures on charitable activities (including gifts to other charities);
 - segregate undesignated and designated funds (for aggregate amounts over \$100,000);
 - identify government grants and contributions separately from other donations (for aggregate amounts over \$100,000); and
 - Financial statements should be prepared in accordance with generally accepted accounting principles and standards established by the Canadian Institute of Chartered Accountants, in all material respects (or disclose a discrepancy between the practice and GAAP).
- 5 The cost-effectiveness of the charity's fundraising programs shall be reviewed regularly by the governing board. No more will be spent on administration and fundraising than is required to ensure effective management and resource development. The charity shall disclose its process for evaluating its spending.
- 6 The charity shall, upon request, disclose the revenue and expense assumptions for its fundraising activity as approved by its Board in its annual budget.
- 7 If the charity has annual revenue in excess of \$250,000, the financial statements shall be audited by an independent public accountant.
- 8 If the charity's investable assets surpass \$1,000,000, an Investment Policy shall be established setting out asset allocation, procedures for investment decisions, and asset protection issues.
- 9 If the charity receives, or anticipates receiving, gifts-in-kind of \$100,000 or more in a year and has annual revenue in excess of \$500,000, it shall establish a Gift Acceptance Policy (including valuation issues) for the receipt of gifts-in-kind.



Save the Children Canada

ABOUT IMAGINE CANADA

Imagine Canada is a national charitable organization that looks into and out for Canada's charities and nonprofit organizations. We deliver research that puts the sector on the map and raises its profile in the minds of Canadians. We influence public policy and build support, encourage collaboration and engagement from businesses, government and individuals. And we deliver tools, resources and networking opportunities directly to nonprofits and charities to build and strengthen the sector one organization at a time. Together, they contribute to social progress and vibrant communities.



To join the Ethical Code program or for more information visit our website at www.imaginecanada.ca/en/ethicalcode, call **(416) 597-2293, ext. 228** or email code@imaginecanada.ca.

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