



More than Charity

**Building a New Framework for Canadian
Private Voluntary Sector Relations**

**Discussion Paper for Imagine's
Private Voluntary Sector Forum**

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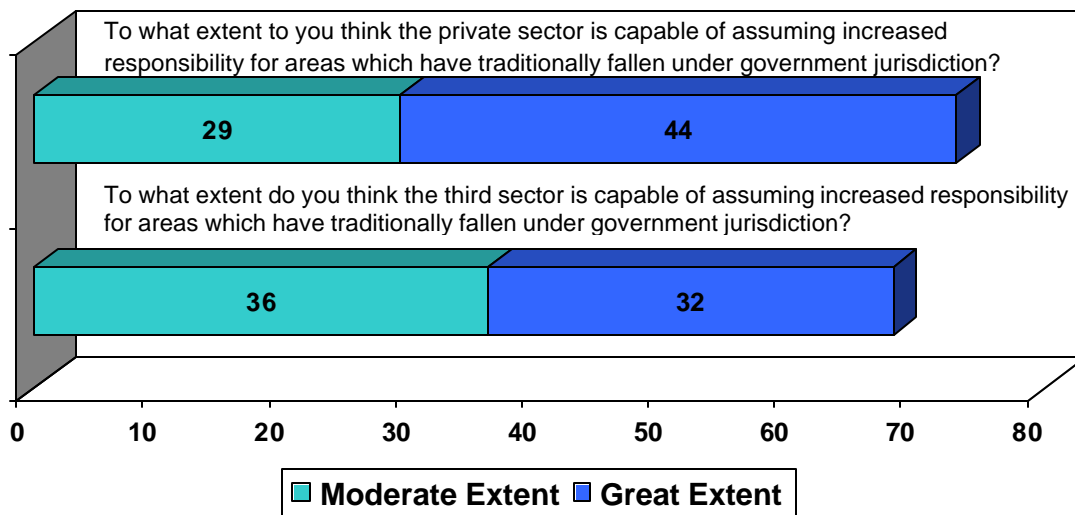
Imagine's Private Voluntary Sector Forum

Imagine's Private Voluntary Sector Forum is designed to contribute to the development of a new framework for understanding and partnership between the private and voluntary sectors in Canada. In a manner similar to the "Working Together" initiative (see Appendix A), launched by the voluntary sector and federal government, this Forum will serve as a platform for addressing emerging issues affecting the working relationship between the private and voluntary sectors. It will also, as appropriate, make recommendations and identify opportunities to improve the working relationship between the sectors. This will include, for example, reviewing Imagine's role in promoting private voluntary sector partnerships and standards for corporate citizenship.

Why a Private Voluntary Sector Forum?

Until recently, the relationship between the private and voluntary sectors could best be described as underdeveloped. Both operated in very different spheres, with little reason to work together (for a brief overview of the history of corporate philanthropy, see Appendix B). Most social services were funded by government and, the primary focus for both the private and voluntary sectors was their relationship with the government. Outside of limited corporate philanthropy, most businesses and charities had little contact. In the last decade, the pressures of globalization and deficit cutting have begun to fundamentally change the relationship between the sectors. As governments have pulled back Canadians are looking to the private and voluntary sectors to take more responsibility for the community and social services once provided by government (see figure 1).

Figure 1: Expectations of business and the voluntary sector to assume increased responsibility for areas which have traditionally fallen under government jurisdiction



Source: Ekos Research, 1998

In this environment, all three sectors are trying to understand and reframe their relationships to one another. For the voluntary sector, in particular, these challenges are daunting. As the smallest of the three sectors economically, the voluntary sector has in many ways, only just begun to understand and proactively manage its relationship with the other two sectors. The "Working Together" framework that the voluntary sector has negotiated with the Federal government is an important first step in this regard. While the voluntary sector's relationship with the private sector has historically been of less significance, as governments pull back, this relationship is now of increasing importance. What is needed now is a clear framework for advancing the working relationship between the private and voluntary sectors.

1. Community Building

The primary point of interaction between most voluntary sector organizations and businesses is their relationship in building community. As government cuts back, charities, in many cases for the first time, increasingly looking to business to replace lost government revenue. Business, for its part, is turning to charities to help them connect with the community and demonstrate to Canadians they are concerned with social issues.

As they turn to each other for support however, many organizations from both sectors are becoming increasingly frustrated. Knowledge of the goals, interests and capacity of each partner is often very limited due to the lack of reliable data. This, in turn, can lead to expectations that can't be met on both sides. Corporate philanthropy, also known as "giving at a distance", can preclude the visibility and engagement that many companies and employees now want. On the other hand, the fast growing commercial sponsorship model can frustrate and create resentment for some charities when commercial positioning seems to overtake social benefit. Too often, neither the corporate philanthropic models or the sponsorship model provide the "win-win" framework for real partnership that is now required.

At the same time, as charities and business adapt to survive and prosper in this new environment, "turf" issues are also emerging at the community level. A small but increasing number of charities are beginning to look at establishing businesses to generate revenue. For example, a major folk festival has established a tent business to rent out its tents in the off season. For small business in particular, this kind of venture can be seen as "unfair" competition, particularly if the charity charges below market rates for its services. On the flip side, business particularly in the health care field, is now moving into "turf" traditionally occupied by the non-profit sector as demonstrated by the growth of private nursing. Appendix C provides further perspective on competition issues between charities and businesses.

2. Corporate Social Responsibility and Public Policy

Public concern around social issues and corporate social responsibility is mounting in Canada. A small but increasingly influential part of the voluntary sector is giving voice to those concerns. These include issues relating to how business operations impact the environment and society and, the role and influence of business on economic and social policy in Canada. Voluntary sector organizations enjoy a strong upper hand in terms of

public credibility and sympathy in this context. As we go forward, we can expect the debate concerning these issues to heat up between the voluntary and private sectors, as we have recently seen in the backlash against globalization at the Summit of the Americas in Quebec City and, the recently launched Commission on Democracy and Corporate Accountability.

KEY ISSUES

Understanding and Communication

The starting place for any productive working relationship is good understanding and communication. Better communication and information systems are key to developing real understanding and trust between the partners. For charities and businesses there are four key challenges in this regard.

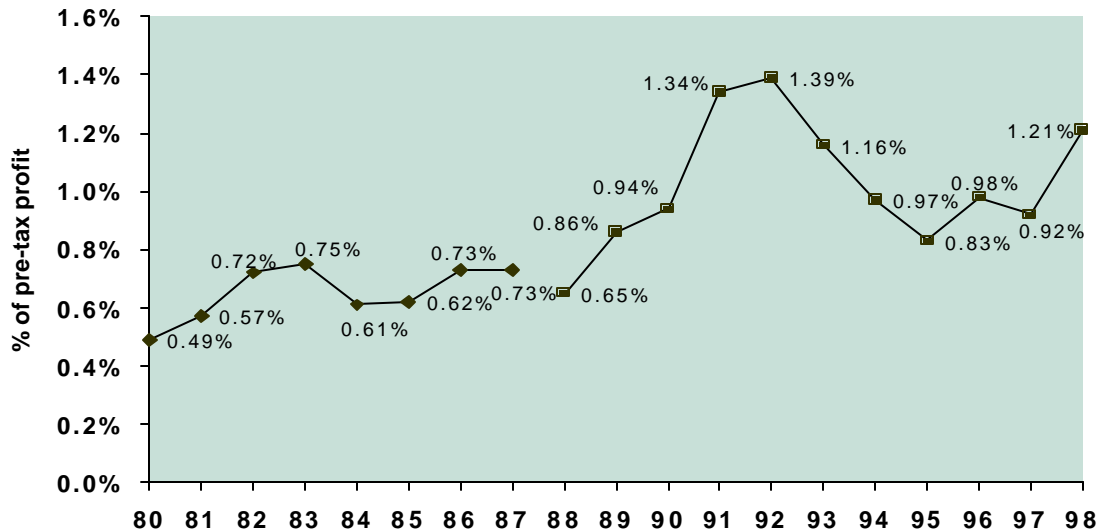
1. Lack of Accurate Information

The first challenge is the lack of reliable information on the contribution of each sector to community building in Canada. Until recently, it simply wasn't very important to know what charities and business were doing in terms of community building in Canada. As mentioned above, governments were the overwhelming force in both shaping and servicing community.

It wasn't until 1993 for example, when the Canadian Centre for Philanthropy issued *A Portrait of Canada's Charities* that we began to get a comprehensive idea of who the charitable sector in Canada is and what its contribution has been. More recently, the *National Survey on Giving, Volunteering and Participating* has begun to track how Canadians support this sector. There is however, still no detailed standardized regularly updated information source on the organization of the charitable sector and its contribution to community building in Canada either at the national or community level.

Turning to business, we find the available data on business' contribution to community is even less satisfactory. The only systematic tracking of business' contribution to community has been through charitable giving, and even this data is very poorly reported. Until recently, most corporate philanthropy programs, with a few notable exceptions, were poorly staffed and under-managed in most companies. Few companies even mentioned their philanthropic programs in their annual reports let alone published their priorities for giving. Until the founding of Imagine in 1988, there were no guidelines or benchmarks for corporate philanthropy. In the last decade, as a result in part of Imagine, Canadian business has increased its reported charitable contributions significantly over the last decade. Revenue Canada's figures show reported charitable contributions by business now approach Imagine's 1% benchmark (see figure 2). During this same period, by comparison, corporate donations in the U.S., as a percentage of pre-tax profit, have declined significantly.

Figure 2: Corporate Giving in Canada as a % of Pre-tax Profit



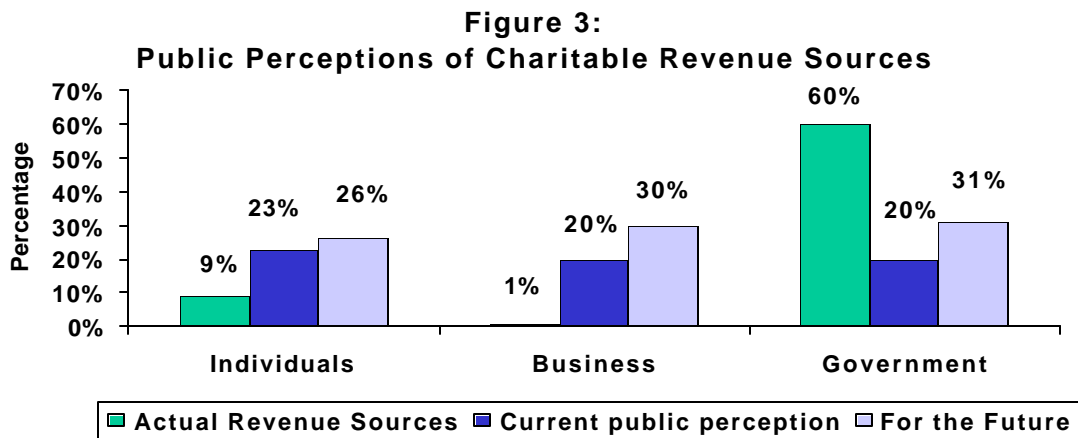
Source: Revenue Canada /Imagine 1999

Despite this progress, considerable challenges in reporting remain. While more than 70% of business leaders now say their business is involved in supporting the community, less than 5% of businesses in Canada actually report their charitable donations to Revenue Canada and, there is no legal requirement for them to do so. Canada's reported corporate charitable giving figures therefore give, at best, a trend in giving but certainly not an accurate figure. For example, in the Portrait of Canada's Charities noted above, charitable organizations reported they received \$1 billion in receipted corporate donations and \$250 million in unreceipted gifts that year. That same year, Revenue Canada data reported corporate charitable donations of \$465 million. So, in other words, in one year alone, business gave close to \$880 million more to the charitable sector than the government officially recorded.

Quite aside from charitable donations, there are many other ways business supports the community. Sponsorships, employee volunteer time, donation of facilities, product, expertise, etc. provide additional and invaluable support to the community and aren't tracked in any form. Once again, there is no reliable data on these activities. Sponsorships for example, have grown explosively in the last decade. However, there are no formal or voluntary reporting regimes to track this in Canada. To get any sense of Canadian sponsorships we must extrapolate from US data. According to the Canadian-based *Sponsorship Report*, it appears that well over \$500 million a year is now being spent in sponsorships in Canada, with almost half of this going to organized sports.

2. Unrealistic Public Expectations and Misperceptions of Charities

When governments cut support to the community, many Canadians' first impulse is to turn to the not-for-profit and charitable sectors to replace lost services. These expectations are often seriously flawed and vastly overestimate charitable sector capacity. Few Canadians understand the critical role of government funding to the charitable sector and the impact that government cuts have had, not only to government services, but also on its support for charities. At the same time, the public and many businesses significantly overestimate their contribution to the charitable sector (see figure 3).



Source: Canadian Centre for Philanthropy, 1998

Compounding these problems is the fact that many donors - both business and government - are increasingly unwilling to fund the "core" operations of charities. Their preference is to focus on special projects and programs. This can leave charities not only desperately strapped for cash, but also unable to meet their core operating expenses. A second and related issue is that some cash starved government departments and agencies are themselves, increasingly approaching business for limited sponsorship support.

In this environment, it is not surprising that survival is the main challenge for many non-profits and charities today. As a result, many charities find themselves at a disadvantage when trying to negotiate sponsorships and other forms of partnership with business. It also why we are starting to see more charities looking for alternative revenue generation opportunities including the establishment of businesses as noted earlier in this paper.

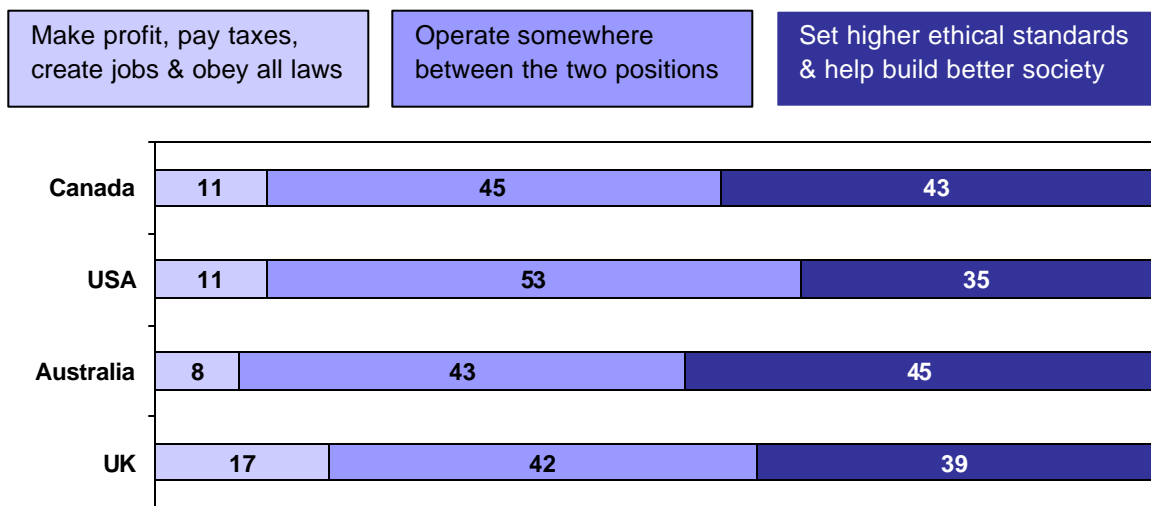
3. Unrealistic Expectations and Misperceptions of Business

Business is viewed by many as a major driver and "winner" in the move to globalization. It is business that has encouraged government to balance its books, to achieve balanced budgets and, make Canada globally competitive. This in turn has led to cutbacks in government support for charities and community services. Because business is the sector that is seen to be reaping the benefits of globalization, it is not surprising that Canadians now look to business to take a much more active role in supporting community and society.

The recent Millennium poll by Environics International shows that Canadians now have some of the highest expectations in the world for Canadian businesses to be more socially responsible. Over half of Canadians believe business should do more than simply pay taxes and employ people. Canadians also expect business to demonstrate leadership in setting higher ethical standards and addressing social issues (see Figure 4). These expectations go far beyond the traditional framework of corporate philanthropy and pose a major challenge to business in the way it defines and communicates its role in society.

Figure 4:

Role of Large Companies in Society



Source: Environics Millennium Poll, 2000.

In terms of community support for example, a recent poll by the Canadian Centre for Philanthropy for the Muttart Foundation showed over 64% of Canadians said that business should be giving more to charity. But Canadians want business to give more than just a cheque. They want business to be more visibly and actively involved in supporting community. In addition to charitable donations, Canadians want business to contribute through the support of employee volunteerism, the donation of services, sponsorships and other forms of involvement (see Figure 6).

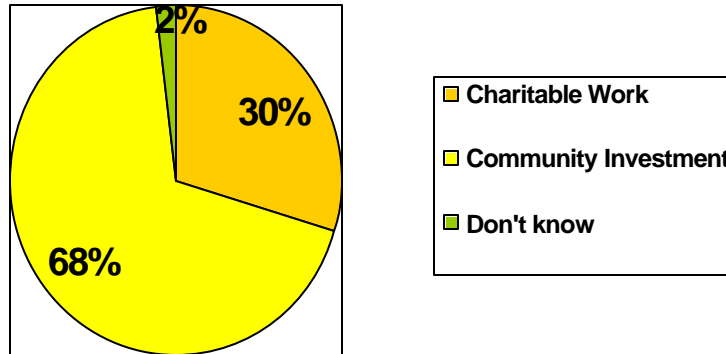
At the same time as public pressure for companies to step forward in support of their communities, corporate managers find themselves under increasing pressure internally, to justify resources donated to the community in terms of the impact on shareholder value.

This combination of external and internal pressures and expectations is transforming the way companies view and manage their community relations and public affairs functions.

Many companies are now starting to move away from the corporate philanthropic “arms length” gift giving to a community investment framework that seeks to provide measurable returns to the company, the charity and the community (see Figures 5 and

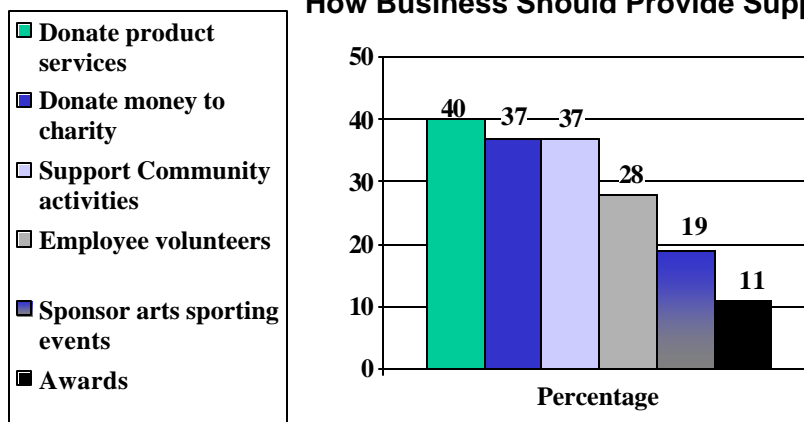
6). They are increasingly seeking partnerships with charities that can give them the potential for meaningful involvement and recognition in the marketplace.

Figure 5: Firm's View of Corporate Giving



Source: Attitudes of Corporate Executives on Corporate Giving Practices, Compass 2000

Figure 6: How Business Should Provide Support



Source: Angus Reid/Imagine 1997

A survey of the Business Council on National Issues' (BCNI) members, suggests that the most important driver of corporate community involvement is now human resource management.

The BCNI's chief executive members said their community programs were important in recruiting and retaining skilled employees, in boosting loyalty and morale and, in improving motivation and productivity. Employee perceptions of needs in their communities were also cited as reasons for shifts in corporate community priorities during the early 1990s. People want to work for companies that reflect and support their values, and, they are asking employers for more opportunities to work in the community. The BCNI survey responses suggest that being seen as the employer of choice is an increasingly important competitive advantage.

4. Lack of Shared Goals and Values

While good information and communication are key to building a strong relationship, it is also important to have shared goals and priorities. Defining this common ground is a key challenge for private and voluntary sector organizations. Charities and business operate with very different sets of organizational values and cultures. The core charitable mission, broadly defined, focuses on achieving a "social benefit", while business' core mission, broadly defined, is oriented to maximizing "private benefit" and returns to shareholders. Business views society through the lens of "economic opportunity", charities tend to view society through the lens of "social development". One tends to focus on narrowly defined short term results, the other tends to focus on broader longer term outcomes. One is focused on innovation and change, and is highly mobile, the other focuses on consistency of service delivery and is often cautious about change. These are of course, simplistic and generalized characterizations, but they speak to the difficulties that charities and business often find when they try find common ground to work together. For more information on issues in communications and understanding between the sectors, see Appendix D.

This lack of real understanding can create suspicion and distrust on both sides. In an interview with Bronwyn Drainie, which explored the communication challenges for charities, a Canadian businessman who sits on many volunteer boards, stated: "We know we've been recruited for one reason only: to raise money. Most of us are content to stick with that role and leave the running of the organization to the professionals. A small minority would like to get more involved. Sometimes this is encouraged by the charity's management, often it's not. We expect charities to run inefficiently and we don't think it's our job to change that."

For their part, charities often complain business people assume that a "business approach" is the solution to all of a charities' problems. As one foundation director observed, business' attitude can be, "You know, the voluntary sector represents an inefficient, second-rate, bleeding-heart approach to things like home care, whereas we can handle the work professionally, cheaply and efficiently. We can do this better."

Despite these challenges, an increasing number of charities and businesses are reaching out to one another to build programs built on mutual understanding and shared goals. As Imagine's "Spirit of Community" Partnership Awards demonstrate when the two sectors come together in this way, real trust can be built and extraordinary results achieved. See Appendix E for further perspectives on partnerships and alliances and examples of partnership at work .

Lack of a Robust Framework for Cross-Sectoral Partnership and Accountability

Clear, well understood guidelines for managing the partnership and, ensuring the accountability of both partners, are key to any successful partnerships. Here again, the charitable and business sectors can find themselves at a disadvantage.

Currently, the two primary mechanisms that define the operational working relationship between most charities and business are: corporate philanthropy "giving at distance" and commercial sponsorship.

1. Issues in Corporate Philanthropy

Corporate philanthropy has been the primary mechanism through which many charities have historically defined their working relationship with business. In light of increased expectations for active and visible involvement of business, this mechanism for investing in the community is proving increasingly inadequate for many large firms. As companies move from simply "giving" to taking a more proactive "community investment" approach, they want to be able to more actively manage their investments and measure the results. The current definition of charitable gifts however, does not allow for any explicit form of reciprocity or accountability. As charities, which are eager to secure corporate support, and companies try to work around these limitations, both are increasingly "crossing the line". This ranges from some charities providing companies with specific recognition opportunities in exchange for gifts, to companies demanding full and complex accounting for their donations.

Members of Imagine's Caring Company program increasingly raise these issues with Imagine and several have withdrawn, saying that the 1% gift guideline as currently defined, is simply too narrow. Others have said that "corporate philanthropy" is obsolete as a motivator for business and that business is already bypassing this framework through sponsorships and other forms of community engagement. Others have suggested that Imagine should keep "corporate philanthropy" as just one element of a more comprehensive set of benchmarks for measuring corporate community investment. In 1998 in response to these concerns, Imagine prepared a draft prototype for an expanded set of measures that was circulated to over 400 senior business voluntary and public sector leaders for comment and feedback (see appendix F). The response however, was inconclusive. Some favoured this direction while other companies expressed concern over having to measure new activity areas. Appendix G contains another model for companies that is currently being used by the London Benchmarking Group for categorizing and monitoring corporate support for the community.

This blurred line around expectations for corporate philanthropic gifts is causing confusion for both sectors. It is also attracting the attention of Revenue Canada which is now auditing corporate philanthropy programs to ensure that gifts are in compliance with Revenue Canada guidelines.

2. Issues in Sponsorship

In the last decade, partly in response to the limitations of philanthropy, companies have been moving increasingly into the sponsorship field and, more recently, cause related marketing. These mechanisms provide companies with a way to manage relations with the charitable sector in a manner that provides clear accountability to their business goals, while also providing a social benefit.

As an “unregulated” industry however, without any voluntary guidelines or standards, sponsorship can be a mixed blessing. For many charities the move to sponsorship can create real challenges, particularly for those without proper legal counsel and other expertise to negotiate “good” sponsorship arrangements. A mid-sized charity phoned Imagine recently asking what a reasonable expectation was for the ratio between money received and value delivered. In this case, the company was proposing to give the charity \$250,000 and then planned on spending \$1,000,000 marketing its relationship with the charity. They wanted to know, “Is this a fair return?” In the absence of any kind of guidelines or comparative data, there are no clear answers to these questions. It is fair to assume however, given the rapid growth of the sponsorship field, that companies are achieving significant results from these kinds of relationships.

	Sponsorship	Charitable contribution
Publicity	Highly public	Usually little widespread fanfare
Source	Typically from marketing, advertising, or communications budgets	From charitable donations or philanthropy budgets
Accounting	Written off as a full business expense, like promotional printing expenses or media placement expenses	Writeoff is limited to 75% of net income. This limit was increased from 20% in the late 1990's. As a result, accounting/tax considerations are less likely to influence the way a corporation designates funding of a not-for-profit organization.
Objectives	To sell more products/services; to increase positive awareness in markets and amongst distant stakeholders (customers, potential customers, geographic communality)	To be a good corporate citizen; to enhance the corporate image with closest stakeholders (i.e. employees, shareholders, suppliers)
Partner/recipient	Events; teams; arts or cultural organizations, projects, programs. A cause is sometimes associated with the undertaking.	Larger donations are typically cause-related (education, health, diseases, disasters, environmental), but can also be cultural, artistic, or sports related. At times funding is specifically designated for a project or program; at times it is provided for operating budgets
Where most funding goes	Sport gets the lion's share of sponsorship dollars — likely more than 50%.	Education, social services, and health sector get 75% of charitable donations.

Source: Sponsorship Report, 2001

Lack of a Framework for Policy Dialogue

As we saw earlier, the public debate on the role of business in society and its influence on public policy are issues of growing concern to Canadians. To date, there has been little in the way of an operational framework to support constructive debate between the private and voluntary sectors. As the debate about globalization and corporate social responsibility heats up, the challenge, going forward, will be to see if it is possible to establish a framework for an informed and accountable interaction and discussion between the two sectors on public policy and CSR issues. Failure to do so could create a growing rift between the sectors, which could have future implications on the working relationship between them.

Lack of Organizational Capacity

A final area that impacts both the private and voluntary sectors equally, is their lack of organizational capacity to manage their new relationships and to meet the expectations Canadians now have for both of them. Currently, many of Imagine's larger companies are now in a "perpetual" state of reorganization as a result of having to meet new expectations for corporate social performance. Many find they simply don't have the internal capacity to create and manage the kind of value added social contribution the public is now looking for. Former "donations" officers are suddenly finding themselves responsible for managing a much more complex set of corporate citizenship issues and, in some cases, are leaving in frustration. Some Imagine Companies receive over 5,000 requests a year for support. One beleaguered officer reported, "We can't print the no cards fast enough." In response to this situation, Imagine, the Conference Board and many private consultants are increasingly being engaged to assist firms in building organizational capacity.

Charities for their part, are often ill equipped to manage relationships with more sophisticated and, in some cases, increasingly demanding business partners. Many charities still tend to view business as simply a source of dollars for lost government cash. Charities are often ill equipped to build or manage partnership relations that could include the leveraging of other corporate resources or, provide the kind of reporting that businesses are increasingly demanding. Capacity building is one of the major themes being addressed by the VSI in their Working Together initiative with the federal government. There may be opportunities that arise from this process that will assist the voluntary sector to build capacity to manage more complex business partnership relations.

Moving Forward

This paper has reviewed a number of issues that will need to be addressed if we are to significantly advance private voluntary sector relations in Canada. The questions below are designed to provoke constructive discussion on specific issues that may need to be addressed in moving ahead.

Understanding and Communication

1. What information resources do we need to enable both private and voluntary sector organizations to better understand each others roles and capacity in terms of community building?
2. What resources are required to create a more realistic public understanding of the role and capacity of the private and voluntary sectors in community building?
3. What sort of mutual goal-setting exercises would help develop better understanding between the sectors and appreciation of each other's unique culture and values?
4. What kind of "enabling" measures could government take to promote more effective private voluntary sector understanding and co-operation?

Cross Sector Partnership and Accountability

Corporate Philanthropy

5. How can companies best achieve the recognition they seek for their support of communities and charitable organizations?
6. What role should corporate "philanthropy" (charitable donations as defined by CCRA) play as an indicator of corporate accountability to community? Should it continue to be the leading benchmark or just be one of many indicators?
7. Should we be trying to change the legal definition of corporate philanthropic gifts to allow donors to set conditions and receive recognition for their contribution or, does this undermine the integrity of the concept of "philanthropy"?
8. Should Imagine's current minimum 1% corporate philanthropic benchmark (which currently only includes gifts qualified under Revenue Canada guidelines) be modified to allow for gifts which don't meet Revenue Canada guidelines (for example, to allow for an agreement on recognition as part of the terms of the gift)?

Sponsorships

9. Should there be guidelines for commercial sponsorships with charities? If so, what principles and guidelines are needed to ensure consistency and fairness in the management of sponsorships to ensure a fair return to both the charity and the business?

Reporting Corporate Community Investments

10. Should reporting be encouraged through voluntary or self-regulatory initiatives such as Imagine? Alternatively, should companies be legally required to report on their community investment requirements (as we are now seeing in the financial service sector)?
11. Should Imagine's definition of community investment be expanded beyond corporate philanthropy to include sponsorships and other direct and indirect forms of corporate support for the community?. A prototype for an expanded set of measures was included in Imagine's White Paper "More than Charity: a New Agenda for Canadian Corporate Citizenship" and is attached to this paper for review (see Appendix F).
12. Should Imagine make it a condition of membership that all companies publish their community investment contributions, criteria, etc. in their annual reports or post these on their web sites?
13. Does there need to be some form of "auditing" for these community investment reports to be credible?

Evaluating Impact

14. How do we come to an agreement on outcome measurement? Are there existing evaluation models that need to be better understood and disseminated? (See Appendix H for an overview of the Voluntary Sector Evaluation Research Project.)

Competition

15. How can issues of competition between business and charities best be addressed?

Voluntary Sector Accountability

16. Should Imagine require its voluntary sector partners to sign a partnership agreement in the same way it asks Caring Companies to pledge to Imagine's standards? If so, what should be included? For example, should Imagine

require all of its voluntary sector partners to have signed the Centre for Philanthropy's voluntary "Ethical Fundraising and Financial Accountability Code"? (see Appendix I)

Public Policy and Corporate Social Responsibility

17. What kind of forum do we need for a more comprehensive dialogue on Corporate Social Responsibility Issues? For example, is the Imagine/Conference Board CSR Benchmarking initiative the right forum for this kind of dialogue?
18. Should these initiatives be discussed between the two sectors or should government also be at the table?

Organizational Capacity

19. What specific resources (e.g. training) will be required to assist the voluntary sector more effectively manage its relations with business?
20. How can the private sector best assist in building the capacity of the Voluntary Sector? Should for example, corporations earmark part of any gift for the core development and management of the charity?
21. What specific resources (e.g. training) are needed to build the private sector's capacity to understand and manage effective partnerships with the voluntary sector?

Appendix A

Overview of the Voluntary Sector Initiative (From the VSI web site: www.vsi-sbc.ca)

The Voluntary Sector Initiative (VSI) is a joint undertaking between the voluntary sector and the Government of Canada. It is a unique opportunity to focus on the voluntary sector as one of the three pillars of Canadian society, equal in importance to the public and private sectors. The long-term objective of the VSI is to strengthen the voluntary sector's capacity to meet the challenges of the future, and to enhance the relationship between the sector and the federal government and their ability to serve Canadians.

What are the Key Priorities?

Announced in June 2000, the federal government is investing \$94.6 million over five years in these key areas:

- An Accord: developing a framework agreement that will articulate the shared vision and principles for relations between the voluntary sector and the federal government.
- Information Technology and Information Management: improving the sector's access to the benefits of technology.
- Public Awareness: increasing recognition of the sector among the public and government.
- Capacity: developing new knowledge, skills and means for voluntary organizations to respond to Canadians' needs.
- Financing: proposing a new approach to financing the voluntary sector that is long-term and sustainable.
- Volunteerism: promoting the role of volunteers as a legacy of the United Nations' International Year of Volunteers 2001.
- Regulatory Issues: streamlining reporting requirements and regulations that affect the voluntary sector.

Why is this Initiative Important?

Canada's voluntary sector is a vital part of Canadian life. It includes more than 175,000 charities and non-profit organizations. It engages the efforts of 7.5 million volunteers and employs 1.3 million people. The VSI will produce concrete results for the voluntary sector, including:

- A stronger voice to express common needs.
- Streamlined government rules and regulations.
- More opportunities to engage in public policy development.
- Increased access to new technologies, training and research.

All Canadians will also benefit from:

- Enhanced programs.
- More volunteers who are better supported.
- More responsive public policy.
- More opportunities for civic engagement.

How is the VSI being Managed?

Government leadership of the VSI is provided by a reference group of ministers appointed by the Prime Minister and chaired by the Honourable Lucienne Robillard, president of the Treasury Board. A steering committee of senior voluntary sector members is providing leadership for the sector. More than 125 representatives from Canada's voluntary sector and federal government departments participate in "joint tables" exploring the priority areas outlined above. Each joint table is co-chaired by a government and voluntary sector representative. An independent non-governmental committee selected the voluntary sector participants from more than 1,000 applicants.

Appendix B

Corporate Philanthropy – Some history

The following appendix provides a brief overview of the history of corporate philanthropy.

Given the dominant role of the state in shaping economic and social development, the relationship between business and voluntary sectors has not always been of critical importance.

Post-war - 1960s: Corporate philanthropy is *ad hoc*, reactive and, for the most part anonymous.

1970s: Corporations develop and articulate policies on contributions and community promotions.

- The end of the post-war welfare state = increasing reliance on the private sector.
- Continued reliance on market solutions continued with further government restraint

1980s - 1990s: Heralds economic restructuring and the internationalization of economic activity, or 'globalization'. Corporations begin to operate on an international scale - traditional linkages between corporations and communities are often tenuous.

2000: Corporations are talking about '*investing*' rather than '*donating*' and expressing a desire for a greater involvement in causes chosen as strategic.

- Corporate giving shifts from a CEO-directed, demand-driven, philanthropic cash model to one of a corporation-directed, proactive strategy of investing cash, goods and services in the community.
- Voluntary sector organizations needs change.
- Governments continue to reduce spending.
- Public financing of voluntary organizations shifts from regular and open-ended core funding to project-based, shorter-term grants.
- An increasing number of charitable organizations compete for fewer government dollars and are often expected to do more.
- Governments do less and need to diversify their revenue base in order to do so.
- Rivalry and competition emerges in the voluntary sector.

Appendix C

Competition Between Charities and Businesses

An informal review of information by Imagine on competition issues between charities and businesses revealed the following issues. The issues are presented from a variety of perspectives:

The Voluntary Sector Perspective

- Making a profit is appropriate for charities.
- Language is a barrier for nonprofits working in the business world.
- Perhaps nonprofits should pay the usual taxes when running a business.

The Business Perspective

- Nonprofits are seen as unfair competition by some businesses because they pay fewer taxes to operate
- Some charities circumvent labour laws by using volunteers
- Failing nonprofit businesses can sometimes be unfairly supported by funds from other sources within the nonprofit organization
- Competition from charities is most likely a threat to mid and small sized businesses
- The United Way asks businesses for dollars, then fund non-profits that compete with for-profit donors

Revenue Canada Perspective

- Clearer definitions are needed of "related" and "unrelated" business
- The issue of "related business" is a problem for Revenue Canada because charities could compete with the private sector
- There is a growing issue of charities getting involved in unrelated business from Revenue Canada's perspective
- Challenge is to develop tax policies that serve the broad public interest

UK Perspective

- Britain uses a different language for business activity by charities. Business activity is called trading. There are two types of trading:
 - Where the primary purpose of the trading supports the mission
 - A nonprimary purpose where the intent is just to raise funds. Trading with a nonprimary purpose is taxable.
- There is an analysis of what is being sold by the charity. For example, every item in a gift shop is analyzed to see if it has a primary or nonprimary purpose. Those with a nonprimary purpose are taxed.

USA Perspective

- The US has parallel ideas to the UK. The charity can be involved in any business activity as long as it pays the taxes.
- There is more movement of businesses into traditional non-profit areas in the US than in Canada
- Some successful nonprofits are becoming very large and indistinguishable from for-profit organizations

Appendix D

Communications & Understanding

A summary of the "communications and understanding" issues in partnerships between private and voluntary sector organizations is summarized below. These points were collected as part of a literature review conducted by the Centre for Philanthropy.

Communications & Understanding <i>... common ground can be forged through communications ... dialogue is imperative between the corporation and the [voluntary] organization - there must be a willingness to negotiate.</i>	
<p>The corporate-voluntary relationship is burdened by deep-rooted differences in organizational culture, relationship differences, common language misunderstandings and very different goals. This does little to foster trust between the sectors or with the community at large.</p> <p>There is a need for a common language to pave the way to stronger partnerships. It is necessary to find some common ground upon which to shape the relationship.</p> <p><i>There are inherent difficulties in communicating since the nonprofit sector is based more generally on process and principle, and the profit sector is based on products and profit. Nonetheless, both sectors recognize the significance of building relationships over the long-term.</i></p>	
<u>VOLUNTARY SECTOR</u>	<u>CORPORATE SECTOR</u>
<ul style="list-style-type: none"> • The nonprofit sector is based more on process and principle. • Effective partnerships need a common language and terms of reference to understand and explain the complexities. • Business needs to better understand charities' needs to achieve long-term relationships. For example, the provision of expertise to organizations ultimately affects how the community is served. • An enhanced level of accountability and transparency would give the public a more realistic vision of corporate involvement in the community; it may also help to clarifying the corporate capacity to provide resources to the voluntary sector. • Education is an essential component in crafting good partnerships but it is a two way street – both sectors need to learn more about each other. • Corporations need to understand that it is costly for organizations to embark on partnerships and that such endeavors can impact on resources. 	<ul style="list-style-type: none"> • The profit sector is based on products and profit • Partnerships demand a more business-like approach from charities to work with and understand each other better. • Charities and the public they serve demonstrate little understanding of the multi-faceted roles corporations play in community development. • Businesses agree that accountability will foster greater trust and respect by the community and illustrate "good corporate citizenship." • Misconceptions are often perpetuated by a lack of information; this requires better reporting standards for corporations as well as for charities. • Charities must understand and respond to the knowledge that profits drive the corporation's ability to contribute to the community.

Appendix E

Partnerships & Alliances

A summary of the "partnerships and alliances" issues in between private and voluntary sector organizations is summarized below. These points were collected as part of a literature review conducted by the Centre for Philanthropy.

<p>Partnerships & Alliances</p> <p><i>... the twenty-first century will be the age of alliances where collaboration between nonprofit and corporations will grow in frequency and strategic importance migrating from the traditional philanthropy toward deeper, strategic alliances.</i></p> <p>Partnerships and alliances are often influenced by management structures ideal to each organization – and thus lack in mutual understanding between the corporate and voluntary sector.</p> <p>Both the corporate and voluntary sectors struggle with the concept of partnerships and stress the need for clearer definition and meaning.</p> <p>Alliances need to begin in a manageable way "turning small beginnings into significant partnerships." In fact, these partnerships may begin with a small program that affects the few but has the potential to grow to help a much larger group in the community.</p> <p><i>Partnerships require mutual respect and trust, and clear, realistic goals and objectives to foster strategic alliances with the community and each other.</i></p>	
<p style="text-align: center;"><u>VOLUNTARY SECTOR</u></p> <ul style="list-style-type: none"> • Decision-making structures in the voluntary sector tend to be consensual • Partnerships require both parties to strike agreements outlining roles and responsibilities of decision-making and management of projects. • Charities tend to think of the corporation as a source that should give funding without such strident demands for accountability. • Charities find the corporate funding process to be lengthy and fraught with competitiveness. • Corporate funding applications lack consistency and burden the organization's time and financial capacity the absence of "clear guidelines and agreed standards (measurement outcomes), recognition of sponsors, frustrations and misunderstandings often arise." • Charities often lack the resources that would enable them to negotiate successful partnerships (e.g. contracts). 	<p style="text-align: center;"><u>CORPORATE SECTOR</u></p> <ul style="list-style-type: none"> • Decision-making structures in business tend to be hierarchical • The key to strategic alliances is strategic fit – the interests and objectives of the donor company and the voluntary sector organization should reflect a mutual • Companies are overwhelmed by more than 2,000 applications on average for charitable support each year (BCNI). • Charitable applications are often poorly presented and waste corporate time and resources reading requests. • Most corporate funding now entails far more complex application and reporting requirements as demands for funding increase and greater accountability to shareholders is required. • Successful partnerships will require the development of new organizational structures and procedures. • Corporate foundations are often as under-staffed and overburdened by demands by voluntary sector organizations.

<u>VOLUNTARY SECTOR</u>	<u>CORPORATE SECTOR</u>
<ul style="list-style-type: none"> • Charities need to become more self-sufficient and independent in order to achieve sustainability. • Evaluation structures and requirements tend to burden the resources of the charities. Charities feel that corporations do not provide enough information and guidance to produce a competitive proposal. • Corporations underestimate the capacity of charities and are not respectful of the charities efforts to provide service to the community. • Charities receive much of their donations from corporate "in-kind" donations but also want corporations to return to a more philanthropic role of giving. • High degrees of accountability burden the th in resources of charities. For example, employee-volunteer programs are costly at the best of times and this needs to be recognized by the corporation. 	<ul style="list-style-type: none"> • Corporations are accountable to both shareholders and employees who ultimately determine the direction of charitable support. • standardization of funding applications) to accommodate the increased demands placed on both sectors. • Voluntary organizations lack the necessary sophistication and business acumen to deal with corporations in an effective manner. • Corporations cite under-appreciation and a lack of understanding and respect by charities for how corporations operate. • Corporate giving includes following guidelines set out by the Canadian Customs and Revenue Agency. Described as intense, restrictive and complicated, they often require separate accounting procedures. Legislation is burdensome, unwieldy and somewhat confusing. Corporations would like to see clearer, simplified guidelines for donations to the charitable sector to encourage donations.

Appendix F

Imagine's Prototype for an Expanded Set of Corporate Community Investment Measures

This prototype was included in Imagine's White Paper "More than Charity: a New Agenda for Canadian Corporate Citizenship" in response to concerns from companies that Imagine's current 1% guideline for corporate philanthropy is too narrow. The white paper was circulated to 400 senior business, voluntary and public sector leaders for comment and feedback. The response at that time was inconclusive. Some respondents favoured this move while other companies expressed concern over having to measure new activity areas.

IMAGINE'S CORPORATE CITIZENSHIP AGREEMENT (Draft)

A Commitment by

Company name

Covering the period 1999/2000 *

*(Proposed that Companies would have to commit to the program on an annual basis)

Italicized sections represent components of Imagine's current standards. Non-italicized sections represent suggested new additions. Where relevant, sources are attributed in square brackets [].

We Recognize

That strong communities foster strong companies, and thus companies and their shareholders have an important stake in the prosperity, health and quality of life of the society in which they operate.

That successful companies contribute to the community through the generation of wealth and jobs by following sustainable and ethical business practices.

That successful companies contribute to the community through their direct investment in the human and social capital of the communities they do business in. In this regard we recognize the crucial role played in Canadian communities by charitable and other non-profit organizations, and agree that supporting them represents a sound investment.

That successful companies maximize the impact of their community investment externally and internally by adopting as appropriate the following "best practice" principles:

- i) Public commitment to good corporate citizenship
- ii) Active personal involvement of senior management
- iii) Contributions that make maximum use of the company's distinct competencies
- iv) Synergies between donations and volunteer policies such as gift matching programs for employees
- v) Use of community involvement to contribute to key corporate objectives
- vi) Development of long-term partnerships with recipient non-profit organizations or programs to assist planning and ensure continuity
- vii) Recognition of the Imagine "minimum of 1% of pre-tax profits" as a base guideline for corporate charitable giving.

We agree as follows:

- 1) **That financial support for not-for-profit and charitable organizations is one important component of the way in which we support the community. We are committed to meeting the following standards for our charitable giving.**

- a) *To donate a minimum of one percent of pre-tax profit to or through charitable and other non-profit organizations, measured on a three-year rolling average or average to be determined with Imagine. In calculating total donations, the company agrees to respect the guidelines detailed in Appendix A.*
 - b) *We are currently at the 1% threshold _____, Or this policy will be implemented within three years _____*
 - c) *If average employment is less than 50, to make cash donations of at least 0.25 percent of pre-tax profit, with the remainder consisting of donations of goods, services, facilities, seconded personnel or other valuable consideration. If average employment is between 50 and 500, to make cash donations of at least 0.5 percent of pre-tax profit. And if average employment is more than 500, to make minimum cash donations of one percent of pre-tax profit.*
 - d) *To report total donations and pre-tax profit figures annually to Imagine. Imagine agrees to keep these individual figures confidential and to report publicly only in aggregate unless the company gives its consent for public disclosure.*
- 2) That enabling our employees to contribute to the community through volunteering is an important way in which a company can support the community while building employee respect and loyalty to the firm. To this end we agree:**
- a) *To support and facilitate the personal charitable giving and volunteer activities of our current and retired employees.*
 - b) *To assist Imagine to report on employee volunteering by providing to Imagine any relevant data on the company's employee volunteering support programs if such programs exist. Imagine agrees to keep this information confidential and report publicly only in aggregate unless the company gives its consent for public release.*
- 3) That business can provide many direct and indirect benefits to the community through its core business activities. To this end we agree :**
- a) *To consider and measure as appropriate other ways in which our business provides support to the community outside of "charitable" contributions and if appropriate report this information to Imagine. A list of such activities is provided in Appendix A section 2 of this document. Imagine agrees to keep this information confidential and report publicly only in aggregate unless the company gives its consent for public release. The information will be used by Imagine in helping to communicate to the public on the corporate citizenship activities of its members.*
- 4) To assist the public to appreciate the contribution of our business to the community and to assist our community partners to understand our community investment priorities, we will:**
- a) *Make our contributions policy and donations criteria readily available to the public.*
 - b) *Report annually, in an appropriate manner, on our donations program and community activities.*
 - c) *Ensure that our employees are aware of our commitment to the Imagine principles.*
 - d) *Assist Imagine in any manner practical to promote good corporate citizenship and to encourage other companies to make commitments to the Imagine principles.*

Imagine's commitment to the Company**1) Promotion of corporate citizenship**

Imagine agrees to promote public recognition of the principles in this agreement as the leading benchmark for good corporate citizenship and to recruit and encourage other companies to adopt these principles.

2) Recognition of members

- a) Imagine agrees to promote and recognize the corporate citizenship activities of its members. This will include not only the "charitable" contributions of the company but also other activities the companies undertake which have a direct community benefit. (see appendix A.)
- b) Imagine agrees:
 - i) to recognize in a prominent national publication at least once per year the name of each company that has made a commitment to the principles in this agreement;
 - ii) to develop and distribute promotional material acknowledging each company's commitment; and
 - iii) to provide the company's name whenever appropriate in response to requests for information about good corporate citizenship.
- c) To encourage innovation and recognize its members, Imagine agrees to organize and publicize an annual Canadian awards program to recognize innovative corporate citizenship initiatives of its members.
- d) Imagine agrees to compile an annual list of top corporate citizens, organized by company size. The 1999 leadership list will be published in partnership with *The Globe and Mail's Report on Business Magazine*. In order to qualify for consideration, the company must supply the information requested in the appropriate form in Appendix B and agree to the unrestricted publication of this information. (Note that Appendix B is not included in this draft.)

3) Support to its members

- a) Imagine agrees to keep the company informed of innovative partnerships and examples of excellence in order to help the company to identify and adopt good practices in community investment.
- b) Imagine agrees to provide companies honoring this commitment the right to use the Imagine logo in both internal and external communications in order to demonstrate to employees, suppliers, customers and the public the company's commitment to good corporate citizenship.
- c) Imagine further agrees to assist the company in any manner practical in its efforts to communicate the extent and value of its community investment.
- d) Imagine agrees to organize forums by which its member companies can participate in reviewing and setting directions for the program.

**The Imagine Commitment
Appendix A:
Some definitions and guidelines**

COMPANY'S COMMITMENT

DEFINITION OF ITEMS TO BE INCLUDED IN CALCULATION OF CHARITABLE DONATIONS

In their calculation of domestic pre-tax profit, companies should:

- *exclude non-recurring items and foreign operations*
- *use a rolling 3 –5 year average, or a period to be determined in agreement with Imagine based on the length of the company's sectoral business cycle [Corporate Community Relations] according to the schedule below. (current standard is three years)*

In making the Imagine 1% calculation, companies should include:

- *All disbursements that qualify as donations, including those which may be taken from budgets other than the "donations" budget.*
- *All donations as defined by the Income Tax Act, Sec. 110(1)(A) and Interpretation Bulletin IT-110R2. All disbursements which qualify should be included, even though some may not actually have been claimed for income tax purposes, nor categorized in company books as a "donation".*

Gifts in Kind

- *Gifts-in-kind of goods, services, facilities and secondment of personnel based on fair market value principles. Revenue Canada's Interpretation Bulletin IT-297R provides a straight-forward procedure. This can include for example, the cost of loaned executives, pro-bono work, use of company facilities, computer equipment etc.*

Management and administration costs

- *Direct management and administration costs related to the management of the corporate contribution and volunteer programs [Corporate Community Relations]*

Holding Companies

- *A holding company or parent company may calculate its donation ratio by consolidating donations using the same guidelines as used for the consolidation of earnings*

Corporate foundations

- *If a company has set up a "company foundation" which plays a role in its community investment program and the company (and/or its subsidiaries) is the sole source of funding for the foundation, the company should either include donations made by the company and those made by the foundation, but exclude transfers from company to foundation; or include donations made by the company and transfers from company to foundation, but exclude donations made by the foundation. Otherwise, "double counting" results.*

Cooperatives

- Some organizations (e.g. cooperatives, credit unions, partnerships, etc.) may have no accounting line designated as “pre-tax profit”, “net profit before income tax”, or “net income before tax”. In such cases, Imagine would expect a reasonable equivalent to be considered as the basis for the organization’s commitment to charitable giving.

Definition of “non charitable” activities to be recognized and reported on by Imagine as part of corporate citizenship. Note these items will be reported on separately under the categories listed below. They are not to be included or confused with “charitable” donations as defined in Section one of this appendix

Imagine will recognize and report on separately from charitable donations, other forms of corporate support for the community if the company reports on these activities to Imagine. All criteria, including both charitable and other forms of corporate support for the community, will be used when Imagine compiles its annual survey of corporate citizenship and is asked to prepare lists such as the Top Corporate Citizens.

a. Sponsorships * (One of the two below to be basis for criteria)

- Sponsorship payments or fees associated with “event marketing” programs (and the cost of tickets/tables at some benefit events) qualify in whole or in part as donations and may be covered by charitable receipts from the receiving organization.
- In terms of the Imagine calculation, sponsorship contributions should be included as either (a) the amount of the charitable donations receipt or (b) if no receipt exists, the cost of the sponsorship fee less the estimated cost of obtaining equivalent publicity (i.e. direct cost of community involvement). Sponsorship should be considered a community contribution only if relatively low-key corporate publicity is received and it is largely in aid of charity or local community interests.

b. Social marketing contributions

- Resources expended in partnership with a community partner or undertaken directly by the company to change public perception and behaviour in support of a particular social issue.

Cause-related marketing

- Cost associated with the marketing and promotion of products of which a portion of the proceeds go to a non-profit. (May need further refinement)

Internships and training

- Amounts invested in programs designed to ease the school-to-work transition, e.g. internships. This could be measured in a variety of ways, including the number of positions in absolute terms and in relation to the size of the workforce. Investments in employees (which contribute to human and social capital) would be measured separately.

Appendix G

London Benchmarking Group Template for Measuring Community Investment

Formed in September 1994, the London Benchmarking Group is comprised of senior community affairs managers in the UK with responsibility for substantial community involvement programs. The group was formed to meet the need for accurate and comparable information about how different companies define, fund and manage their community involvement activities. The London Benchmarking Group's Template for Categorizing and Monitoring Inputs to the Community (below) is designed to categorize and measure the value of corporate community contributions in a number of areas.

ACTIVITY		ABBREVIATED DEFINITIONS	Prog. cost
1. CHARITY		<i>Corresponding to moral and Social responsibility.</i> Gifts of cash and other forms of assistance in response to appeals to the company by charitable and community organizations, or partnerships with stakeholders to support good causes.	
i)	Donations	Cash given to national and local appeals	
ii)	Social Sponsorship	Support to causes or events with name recognition, but the activity is not part of a company's marketing strategy	
iii)	Consultancy	The services of employees provided by the company	
iv)	In-kind giving	Gifts of product and equipment from inventory, written down materials, or use of company premises	
v)	Matched Giving	Matching the cash gifts of employees to charities of their choosing	
vi)	Volunteering	Cash granted to support employees in community activities of their own choosing	
vii)	Facilitated Giving	Companies use their relationships with customers and consumers, to collect for good causes	
SUB TOTAL			
2. SOCIAL INVESTMENT		<i>Corresponding to long-term corporate benefits.</i> A policy of sustained involvement in resolving a few social issues carefully chosen by the company in order to protect its long-term corporate interests and enhance its reputation.	
i)	Grants/Donations	Cash invested in programmes to achieve specific agreed goals	
ii)	Secondments and Consultancy	The loaning of employees to community organisations on a full time, long-term or part-time basis to achieve mutually agreed goals	
iii)	In-kind Contributions	Gifts such as computers or property that are central to the success of a focused programme	
iv)	In-house training	Work experience and training opportunity for young people or professionals from the public and non-profit sectors	
vii)	Supplier Development	Costs associated with creating jobs for disadvantaged groups as suppliers to the company	
SUB TOTAL			
3. MANAGEMENT COSTS			
i)	Charity and Social Investment Costs	The salaries, benefits, overheads and operating budgets of the company's community relations staff	
SUB TOTAL			
4. COMMERCIAL INITIATIVES		<i>Corresponding to bottom line commercial investments.</i> Activities in support of the commercial success of the company, directly promoting its corporate and brand identities or other business policies in partnership with charities and other organizations.	
i)	Sponsorship	The amount of a sponsorship given to a charity or non-profit organization	
ii)	Cause-related Marketing	The funds raised for a charity and other funds or assistance given	
iii)	Cash/In-kind Contributions	Gifts to universities and public interest bodies whose activities support the success of the business	
iv)	Staff Development	Community assignments as part of a company's training plan	
SUB TOTAL			

Appendix H

Voluntary Sector Evaluation Research Project

The Voluntary Sector Evaluation Research Project (VSERP) is a three-year initiative to improve the capacity of voluntary organizations to evaluate their work and communicate their effectiveness to their funders, stakeholders and the public. The project has been developed to respond to the need that many voluntary organizations have to demonstrate the effectiveness of their work, both as a means for improving their programs and services and as a response to the demands of funders and the public.

VSERP is a joint initiative of the Canadian Centre for Philanthropy, Carleton University, United Way/Centraide Canada, YMCA Canada, Volunteer Canada, Max Bell Foundation, and CCAF Canada (formerly the Canadian Comprehensive Auditing Foundation) and is being funded by a Community-University Research Alliance grant from the Social Sciences and Humanities Research Council (SSHRC), an independent federal granting agency. The project's co-directors are Michael Hall, Vice-President, Research at the Canadian Centre for Philanthropy and Susan Phillips, Associate Professor, School of Public Administration, Carleton University.

The project has five main phases:

1. Assessing the Capacity and Needs of Voluntary Organizations in the area of evaluation research via group consultations with representatives of voluntary organizations and their funders along with a national survey of voluntary organizations;
2. Developing Recommendations for Building Evaluation Capacity and Resources by reconvening the groups created in Phase I, providing them with the results of the needs and capacity assessment and seeking their input on next steps;
3. Implementing Recommended Solutions through the creation of a number of joint voluntary sector - university teams;
4. Creating Local Demonstration Projects to develop best practices for the application of resources and for connecting community organizations to resource tools and expertise; and
5. A Dissemination, Knowledge Transfer and Capacity Building Component that will promote the use of the evaluation resources that have been developed.

The first stage of the project got underway in the spring of 2000 with a series of discussion groups held in ten centres across Canada that begins a dialogue with both voluntary sector organizations and funders about their evaluation needs and resources. The results of these discussions are currently being used to design a national telephone survey, the first of its kind in Canada, on evaluation practices in the voluntary sector across the country. The survey will be conducted and results will be available in the fall of 2001. The VSERP web site (www.vserp.ca) will serve as a resource centre for access and comment on evaluation models, frameworks and tools, and to provide a discussion forum for issues related to evaluation in voluntary organizations.

Appendix I

Ethical Fundraising & Financial Accountability Code

Introduction

This Ethical Fundraising & Financial Accountability Code has been developed by the Canadian Centre for Philanthropy, in consultation with charity leaders throughout Canada. Its primary purpose is to assure donors of the integrity and accountability of charities that solicit and receive their financial support.

Charities that adopt this Ethical Fundraising & Financial Accountability Code commit to fundraising practices that respect donors' rights to truthful information and to privacy. They also commit to manage responsibly the funds that donors entrust to them, and to report their financial affairs accurately and completely.

In order to be recognized by the Canadian Centre for Philanthropy as having adopted this Ethical Fundraising & Financial Accountability Code, a charity's governing board must pass the following motion as a formal resolution:

"[Name of charity] hereby adopts the Canadian Centre for Philanthropy's Ethical Fundraising and Financial Accountability Code as its policy. In so doing, members of the governing board commit to being responsible custodians of donated funds, to exercise due care concerning the governance of fundraising and financial reporting, and to ensure to the best of their ability that the organization adheres to the provisions of the Code. It is hereby confirmed that each member of the governing board has received a copy of the Ethical Fundraising & Financial Accountability Code and that a copy will also be provided to each person who is subsequently elected to the governing board."

A. Donors' Rights

1. All donors (individuals, corporations, and foundations) are entitled to receive an official receipt for income tax purposes for the amount of the donation. Donors of non-monetary eligible gifts (or gifts-in-kind) are entitled to receive an official receipt that reflects the fair market value of the gift. (Note: "Eligible gifts" are defined in Revenue Canada Interpretation Bulletin IT-110R2 or its successor. Some common gifts, such as donations of volunteer time, services, food, inventory from a business, etc. are not eligible to receive official tax receipts.) The charity's governing board may establish a minimum amount for the automatic issuance of receipts, in which case smaller donations will be receipted only upon request.

2. All fundraising solicitations by or on behalf of the charity will disclose the charity's name and the purpose for which funds are requested. Printed solicitations (however transmitted) will also include its address or other contact information.

3. Donors and prospective donors are entitled to the following, 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 Revenue Canada;
- any information contained in the public portion of the charity's most recent Charity Information Return (form T3010) as submitted to Revenue Canada;
- a list of the names of the members of the charity's governing board; and
- a copy of this Ethical Fundraising & Financial Accountability Code.

4. Donors and prospective donors are entitled to know, upon request, whether an individual soliciting funds on behalf of the charity is a volunteer, an employee, or a hired solicitor.
5. Donors will be encouraged to seek independent advice if the charity has any reason to believe that a proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.
6. Donors' requests to remain anonymous will be respected
7. The privacy of donors will be respected. Any donor records that are maintained by the charity will be kept confidential to the greatest extent possible. Donors 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 list with other organizations, a donor's request to be excluded from the list will be honoured.
9. Donors and prospective donors will be treated with respect. Every effort will 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.
10. The charity will respond promptly to a complaint by a donor or prospective donor about any matter that is addressed in this Ethical Fundraising & Financial Accountability Code. A designated staff member or volunteer will attempt to satisfy the complainant's concerns in the first instance. A complainant who remains dissatisfied will be informed that he/she may appeal in writing to the charity's governing board or its designate, and will be advised in writing of the disposition of the appeal. A complainant who is still dissatisfied will be informed that he/she may notify the Canadian Centre for Philanthropy in writing.

B. Fundraising Practices

1. Fundraising solicitations on behalf of the charity will:
 - be truthful;
 - accurately describe the charity's activities and the intended use of donated funds; and
 - respect the dignity and privacy of those who benefit from the charity's activities.
2. Volunteers, employees and hired solicitors who solicit or receive funds on behalf of the charity shall:
 - adhere to the provisions of this Ethical Fundraising & 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;
 - disclose immediately to the charity any actual or apparent conflict of interest; and
 - not accept donations for purposes that are inconsistent with the charity's objects or mission.
3. Paid fundraisers, whether staff or consultants, will be compensated by a salary, retainer or fee, and will not be paid finders' fees, commissions or other payments based on either the number of gifts received or the value of funds raised. Compensation policies for fundraisers, including performance-based compensation practices (such as salary increases or bonuses) will be consistent with the charity's policies and practices that apply to non-fundraising personnel.
4. The charity will not sell its donor list. If applicable, any rental, exchange or other sharing of the charity's donor list will 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 will be for a specified period of time and a specified purpose.

5. The charity's governing board will 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 & Financial Accountability Code.

C. Financial Accountability

1. The charity's financial affairs will be conducted in a responsible manner, consistent with the ethical obligations of stewardship and the legal requirements of provincial and federal regulators.

2. All donations will be used to support the charity's objects, as registered with Revenue Canada.

3. All restricted or designated donations will be used for the purposes for which they are given. If necessary due to program or organizational changes, 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.

4. Annual financial reports will:

- be factual and accurate in all material respects;
- disclose:
 - the total amount of fundraising revenues (receipted and non-receipted)¹;
 - the total amount of fundraising expenses (including salaries and overhead costs)²;
 - the total amount of donations that are receipted for income tax purposes (excluding bequests, endowed donations that cannot be expended for at least 10 years, and gifts from other charities)³;
 - the total amount of expenditures on charitable activities (including gifts to other charities)⁴;
- identify government grants and contributions separately from other donations; and
- be prepared in accordance with generally accepted accounting principles and standards established by the Canadian Institute of Chartered Accountants, in all material respects.

5. No more will be spent on administration and fundraising than is required to ensure effective management and resource development. In any event, the charity will meet or exceed Revenue Canada's requirement for expenditures on charitable activities. (In general, section 149.1 of the Income Tax Act requires all charities to spend at least 80 percent of their receipted donations (excluding bequests, endowed donations that cannot be expended for at least 10 years, and gifts from other charities) on charitable activities; in addition, charitable foundations are required every year to expend 4.5 percent of the value of their assets in support of charitable programs.)

6. The cost-effectiveness of the charity's fundraising program will be reviewed regularly by the governing board.

Footnotes:

¹ Total of amounts from lines 100, 102 and 113 of T3010 (Revenue Canada's Registered Charity Information Return, 1998)

² Amount from line 123 of T3010 (1998)

³ Amount from line 906 of T3010 (1998)

⁴ Total of amounts from lines 120 and 121 of T3010 (1998)

Appendix J

Imagine's "New Spirit of Community" Partnership Awards

Imagine's "New Spirit of Community" Partnership Awards were established in 1996 to celebrate successful alliances between Canadian businesses and charities that are making a difference in any area of community need, from culture and social welfare, to community development and the environment. Each year, a panel of senior leaders from the private and voluntary sectors meet to review and select five award-winning partnerships and five runners-up from across Canada. These partnerships reflect the outstanding creativity and motivation that both the corporate and voluntary sectors bring to making their communities a better place to live. Award winners are chosen according to the following criteria:

- Active involvement of both partners in the design and implementation of the partnership project or program
- Creative, sustainable solutions that meet community needs
- A wide spectrum of resources brought to the program by both partners. For business, this might include a mix of direct financial support and sponsorship dollars, in-kind contributions of resources, and the involvement of employee volunteers.
- Maximum leverage of limited resources through the involvement and coordination of other private, voluntary sector and government agencies.
- Clearly identified measurement and evaluation criteria showing the impact and benefit to the community and the partners.
- A measurable benefit to the community and a minimum program/project history of two years
- A solid example of partnership that others can learn from
- A company nominated must be a member of Imagine's Caring Company program or agree to become a member within 12 months of receiving the award.

Examples of Award Winning Partnerships

1. **Bell Canada** and **Kids Help Phone** partnered to launch Kids Help Phone and Bell Online, a web site that provides information on topics such as AIDS, drug abuse, eating disorders and relationships to young people and directs them to further resources. The service is especially targeted to boys, who feel more comfortable at a keyboard than using a telephone. To date the website is attracting 2,500 hits a day. Bell Canada, a long-time supporter of Kids Help Phone, has committed \$1.5 million over three years to support the bilingual service, and provides technological, logistical and advertising support. Kids Help Phone defined and designed the service, created the 130-page web site, and handles ongoing maintenance.
2. **The Royal Bank Financial Group** and **Lutherwood Community Opportunities Development** Association have teamed up to spearhead Opportunities 2000, a groundbreaking, multi-dimensional program that is fighting poverty in Waterloo Region. The bank has committed \$240,000 to the four-year initiative that aims to lift 2,000 families out of poverty by next year. A variety of initiatives will provide those currently disadvantaged with access to training, motivation and the necessary tools. In addition to its financial commitment, the bank is playing a major role in a leadership roundtable seeking a long term, market-based plan to reduce poverty in the area.
3. When high-tech leader **Compaq Canada** sought a new voluntary-sector partnership a couple of years ago, it went so far outside the box there wasn't even a plug for a PC in the area. High-tech firms traditionally focus their community efforts in areas such as

- education, and Compaq was no exception. A partnership with Ottawa nonprofit **Go for Green** offered an against-the-grain choice that was appealing, however; the group's mandate is to encourage healthy, outdoor activity in a way that also furthers awareness and protection of the natural environment. Besides giving Compaq some presence in environmentalism, the relationship would link it to physical recreation, helping counter associations of computer users with being sedentary. Yet there was no obvious project for the partners to latch onto that would use Compaq's resources effectively. The answer finally proved to be www.TrailPag.ca - an on-line service offering information, tools and support for the building and recreational use of thousands of outdoor community trails across Canada, that has engaged Compaq on several levels including a commitment of \$1-million over 10 years and a donation of more than \$600,000 worth of technology and in-kind support, including computers at Go for Green's offices and laptops for field workers charting trails.
4. Toronto's **Windfall Clothing Service** last year collected 65,000 items of donated new clothes from garment makers and distributing them through 63 social agencies who help the needy. Then, **NO NO NO Children's Wear** noticed "we had surplus fabric on our shelves that we thought we could give," says Rebecca Beninger, public-relations manager of NO NO NO. "We were always donating to various services but decided to take it to a next step." That step was to give the cloth, patterns and use of the facilities to Windfall, which would in turn pay NO NO NO sewing staff to effectively custom-make the clothes for donation. "From my point of view, it's a win-win from all sides," says McFarlane, who also thanks another business ally, the TNT Texport trucking firm, for donating all the transportation services for the clothing.
 5. Certainly one of the most remarkable non-profit organizations Canada has produced is **Calmeadow**, a world-renowned philanthropy that uses micro-loans to support low-income people across the globe in their quest for self-reliance. Even at the \$5,000 ceiling for a loan to a Calmeadow client, the credit involved is too small for Canada's major banks to recoup their investment. Nonetheless, in the Calmeadow Nova Scotia Community Loan Funds, the **Royal Bank** has chosen to do more than give money. Besides pledging \$500,000 over five years since 1994 for the Nova Scotia project, the bank has taken the unique step of accepting the risk on 50 per cent of the micro-loans, making it a partner to an unprecedented degree in such an initiative. The initiative is an example of how the pursuit of a mutual benefit between charitable and corporate partners can encompass a much wider social purpose at the same time. The loan funds help fulfill the bank's interest in revitalizing the province's economy while helping Calmeadow in its quest to aid enterprising individuals get a hand up in realizing their business goals.