



LOOKING INTO AND OUT FOR  
CANADA'S CHARITIES AND NONPROFITS



## THE ETHICAL CODE

### What is it?

The **Ethical Fundraising and Financial Accountability Code** was introduced in 1998 in response to growing public concerns about accountability among Canada's charities. The Code lays out standards for charitable organizations to manage and report their financial affairs responsibly. Participation is voluntary, allowing use of a trustmark which signals to donors a charity's compliance with the Code's fundraising and financial accountability standards.

Imagine Canada launched a review of the Code in mid 2006. The review included both empirical research on fundraising issues, trends and regulation and consultations with charities on what the appropriate standards should be given charities' varying capacity to engage in self-regulation. The Code is intended to be complementary to the Association of Fundraising Professionals' (AFP) Code of Ethical Principles and Standards of Professional Practice. The AFP's code is focused on the fundraising professional.

Today, we are releasing a new Ethical Code and announcing a new compliance program to be launched in January, 2008.

### How Charities participate in the Ethical Code Program

Participation in the program is voluntary and is open to all registered charities who commit to the following:

- written commitment to the principles of the Code;
- board of Directors' approval of the charity's compliance as demonstrated through a board resolution;
- ability to demonstrate internal compliance procedures and ways of addressing complaints; and
- annual fee to defer costs of administration (based on annual fundraising revenue).

Charities will also be asked to submit a short annual report outlining how they are meeting the standards of the Code. This will include an annual renewal of the commitment by the Board of Directors.

### Promoting compliance

As a self-regulating program, compliance will be monitored through a complaints-based process. The process for self-regulation may evolve, depending on practice. In the initial program being launched in January 2008, the following steps will be taken when public concerns are raised regarding lack of compliance:

- thorough review of the nature of complaint;
- formal inquiry to complainant;
- request for additional information from the charity;
- attempt to settle complaint; and
- sanctions ranging from education to removal of trustmark.

Before this process is launched, charities will be encouraged to settle the complaint directly with the donor or other complainant.

## Governance and Oversight

Ultimate responsibility for the Ethical Code rests with the Imagine Canada Board of Directors. However, the Board relies on two groups of expert volunteers for advice:

- The **Accountability Reference Group**: a pan-Canadian group of expert volunteers that provides advice on standards and accountability issues. The group is issuing a discussion paper on the role standards could play in helping charities to achieve their mission and has developed “beta” standards for discussion with charitable sector organizations.
- The **Ethical Code Committee**: an independent body that receives and reviews complaints and delivers sanctions if necessary. The Committee is an arms-length body comprised of experts in matters related to fundraising and financial reporting.

## Flagship Members

The following charities have committed to the principles of the Code and to working with Imagine Canada on further developing the Ethical Code Program:

- Canadian Cancer Society – Ontario Division
- Habitat for Humanity Canada
- Heart and Stroke Foundation of Ontario
- Plan Canada
- Salvation Army, Canada and Bermuda Territorial Headquarters
- St. Joseph’s Healthcare Foundation - Hamilton
- The University of Western Ontario
- United Way of Greater Toronto
- World Vision Canada
- YMCA of Greater Toronto
- YWCA Canada

Together, these charities represent almost one billion dollars in annual fundraising revenue.

## Relationship to Government Regulation

The regulation of charities in Canada is shared between the federal and provincial/territorial levels of government, and in some cases the municipalities. The Code is intended to complement this regulatory structure.

The federal government’s authority over charities comes primarily from the *Income Tax Act* with a significant role and power to determine which organizations can be registered under the Act. Supervision of the sector at the federal level is focused on making sure organizations that are registered charities comply with the Income Tax Act and continue to be entitled to favorable tax treatment.

In comparison, Canada’s Constitution gives the provinces the authority to establish, maintain and manage charities. This role is carried out under a number of different Acts, and the provinces and territories establish their own priorities in the regulation of charities.

Imagine Canada is a national charitable organization that looks into and out for Canada’s charities and nonprofits. Our research-based products and services define, promote and strengthen the sector through provision of data, context, tools and influence.

[www.imaginecanada.ca](http://www.imaginecanada.ca)

[info@imaginecanada.ca](mailto:info@imaginecanada.ca)

