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# FRAMEWORKS FOR EVENT FUNDRAISING IN ALBERTA, CANADA:

Special Events Manual for a Charity

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Special Events Manual for a Charity

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## ABSTRACT

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This product-oriented thesis addresses some of the frameworks for event fundraising in Alberta, Canada, including legal regulations, ethical standards, and event risk management. The purpose of the thesis was to create a special events orientation manual for the Special Events Manager at a registered charity operating in Alberta, Canada. The charity did not have a manual for this role before so this manual will then fill that need. The thesis is divided into two parts: the theoretical part provides the reader with the relevant background for the subject and the second, empirical part is the actual manual, which then applies the information and models introduced in the first part.

The theoretical part, based on literature and Internet sources, provides the reader with the information relevant to event fundraising in Canada, and introduces the models used in the empirical part. Event fundraising is one of the methods of fundraising. In Canada, it is regulated by federal and provincial legislation, and municipal by-laws. The theoretical part examines the regulations that control charitable event fundraising, both at the federal and provincial levels. The ethical part investigates the common ethical principles for fundraising, based on the Association of Fundraising Professionals' Donor Bill of Rights and the Code of Ethical Principles and Standards. The last chapter discusses special events, their characteristics, and event risk management. The chapter on risks introduces the reader to the common hazard risk management tool, "risk matrix".

The research method for the manual is qualitative because the aim was to discover people's opinions and experiences. Two semi-structured interviews were conducted at the charity in the fall of 2014. During the interviews the emphasis was in the challenging tasks of the Special Events Manager position, and in the basics of what one needs to know prior to planning events. These interviews formed the foundation for the manual. The legal portion of the manual focuses on the regulations that affect event fundraising at the local level, and investigates the permits and licenses one must obtain in order to operate in accordance to the laws and regulations. The ethical section of the manual shows how to implement the introduced standards into day-to-day work. The risk management portion of the guide uses the "risk matrix" model, and provides examples of how to manage hazard risks.

Key words: charity, non-profit, fundraising, events, Canada

Lahden ammattikorkeakoulu  
Kansainvälisen kaupan koulutusohjelma

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Tämä toiminnallinen opinnäytetyö käsittelee tapahtumavarainhankintaa Albertan provinssissa, Kanadassa. Selvityksen kohteena on erityisesti alan juridinen sääntely, eettiset normit, sekä tapahtumajärjestyksen riskinhallintaan liittyvät asiat. Opinnäytetyön tavoitteena oli luoda perehdyttämisosas kanadalaisen, esittäväntaiteen alalla toimivan yhdistyksen tapahtumanjärjestäjän toimeen, sekä koota merkityksellinen aiheeseen liittyvä viitekehys. Yhdistyksellä ei ollut ennestään perehdytysopasta kyseiseen rooliin, jonka takia työllä oli työelämälähtöinen tarve. Työ jakautuu kahteen osaan. Teoriaosuus on aiheen kirjallisuuskatsaus, ja empiirinen osuus itse perehdyttämisosas, johon malleja ja taustatietoa sovelletaan.

Opinnäytetyön teoriaosuus, joka koostuu kirjallisista ja elektronisista lähteistä, tarjoaa lukijalle aiheen tietopohjan, sekä esittelyn empiirisessä osuudessa käytettävistä malleista. Tapahtumavarainhankinta on yksi varainhankinnan muoto. Sitä sääntelee Kanadassa sekä liittovaltion ja provinssien lait, että kaupunkien ja kuntien omat järjestyssäännöt. Teoria tutkii säädöksiä, joita esiintyy ja kansallisella- ja provinssitasolla. Työn eettinen osa esittelee varainkeruuseen liittyviä yleisiä eettisiä normeja perustuen kahteen Pohjois-Amerikassa yleisesti viitattuun standardiin: ”A Donor Bill of Rights” ja ”the Code of Ethical Principles and Standards”. Teoriaosuuden viimeinen kappale käsittelee varainkeruutapahtumia, niihin liittyviä erityispiirteitä ja niiden riskinhallintaa. Riskinhallinnan osiossa esitellään lisäksi yleisesti käytetty ”risk matrix” –malli.

Tutkimusmuodoksi valikoitui laadullinen tutkimus, teemahaastattelu, koska tarkoituksena oli selvittää mielipiteitä sekä kokemuksia. Syksyllä 2014 järjestettiin kaksi teemahaastattelua yhdistyksen tiloissa. Haastatteluissa otettiin selvää asioista, jotka ovat tapahtumanjärjestäjän työssä vaativia, ja jotka tulee tietää ennen työn aloittamista. Oppaan perusta muotoutui näiden avoimien haastatteluiden tuloksena. Oppaan lainopillinen osuus keskittyy selvittämään, miten lait vaikuttavat paikallisesti, ja minkälaisia lupia tulee hankkia, jotta näitä lakeja noudatettaisiin oikein. Eettinen osuus antaa käytännön ohjeita siitä, miten teoriaosuudessa esitettyjä standardeja voidaan noudattaa päivittäisessä työssä. Riskienhallinnassa taas sovelletaan teoriassa esiteltyä ”risk matrix” –mallia.

Avainsanat: hyväntekeväisyys, yhdistykset, varainkeruu, tapahtumat, Kanada

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# 1 INTRODUCTION

## 1.1 Purpose

This bachelor's thesis is a product-oriented thesis commissioned by a registered charity operating in the industry of Performing Arts in Alberta, Canada. The purpose of the thesis was to create a Special Events Orientation Manual.

The theoretical part forms the framework for the empirical part (Special Events Manual) of the thesis. The research questions for the theoretical part were:

- 1) What are the legal and ethical frameworks for event fundraising in Alberta?
- 2) What are special events, what are their risks, and what is risk management?

## 1.2 Research methods

The research for the theoretical part was conducted by a literature review, including books and Internet sources. The research method used for the manual was qualitative because the purpose was to examine personal opinions, experiences and challenges. The aim of a qualitative research method is to examine human activity and to answer questions of what, why and how.

The selected qualitative research method was a semi-structured interview with a pre-prepared questionnaire. The research question was: What kind of information does an event fundraising professional need when working for this specific organization? The Special Events Manager and the President and CEO of the charity were personally interviewed and the answers were recorded in the fall of 2014. The content of the question sheets was the same in both interviews, however, the questions were slightly modified to suit the person interviewed better.

When asked about the information that the manual should include, the Special Events Manager expressed the need for a clear introduction of the organization, special events work tasks, information about past events, objectives for the events, and a statement of what are the desired event characteristics of this specific

charity. The President and CEO, on the other hand, highlighted the importance of incorporating the organizational mandate for special events.

The secondary objective for the interviews was to discover the biggest challenges related to special events. Based on the interview with the Special Events Manager, three of the most challenging tasks were identified: 1) permits and licences, 2) auctions, and 3) research related to past events.

### 1.3 Relevancy and scope

#### *Relevancy*

Efficiency is important for charities, because donors and sponsors want their money to be used effectively toward the cause. To work efficiently means that the time at work is used effectively to further the mission. The manual increases the effectiveness of the charity by reducing the time spent on orientation, and by lowering the risk of time-consuming and costly mistakes when organizing events.

The charity did not have a specific orientation manual for this position before. The orientation consisted of a job description, code of conduct, some other documents and a verbal introduction to the guidelines and principles. This type of orientation takes an employer's time, and does not leave the employee with a lot of reference material to work with.

#### *Scope*

This thesis focuses specifically on the legal, ethical and risk related issues of event fundraising in Alberta, Canada. Some of the other issues related to event fundraising, which could have been part of the scope, are: event planning, event marketing, and sponsorship management. Event planning is not covered because the sufficient skills for event planning are usually prerequisites for the position of Special Events Manager. In marketing and sponsorships, the tasks are currently shared between several staff members at the charity; event marketing is handled in part by the Marketing Department, and event sponsorships are the task of the person responsible for corporate partnerships.

As events are one of the methods for raising funds in a charity, fundraising is introduced in the theoretical part. Since the focus is on event fundraising and not on fundraising itself, only two fundraising models are introduced in addition to the definition of fundraising. Examples of other fundraising methods, which are not part of the scope, are: corporate fundraising, capital campaigns, annual giving, and major gift fundraising.

#### 1.4 Structure

The structure of the theoretical part is presented in Figure 1. All the outer levels of the circle form the framework for event fundraising (special events) in Alberta, Canada. The thesis begins by examining the big picture: the significance of the non-profit sector, the common terms related to it, and the volumes of monetary giving in Canada. Then the attention moves to fundraising models, legislation, and ethics. The ultimate focus, special events, is one of the methods of fundraising. The types of special events, their purposes, and their risks, are the last to be investigated.

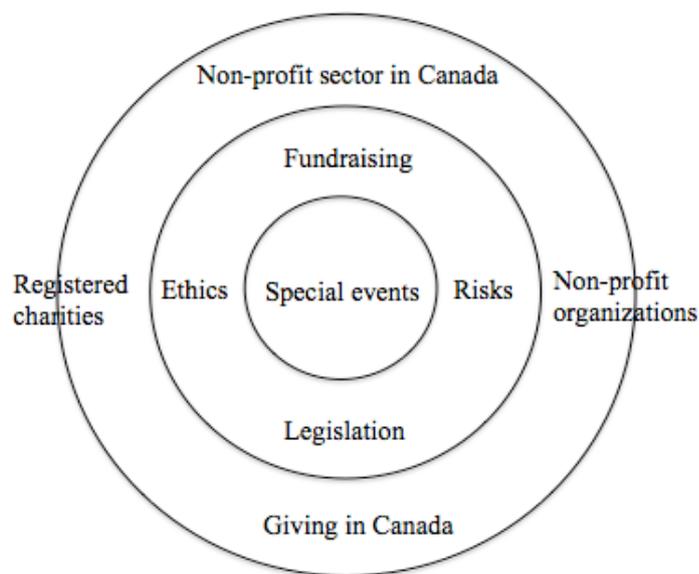


Figure 1. Structure of the Theoretical Part.

## 2 CHARITIES AND NONPROFITS IN CANADA

The aim of this chapter is to provide the reader with basic information related to charities, non-profit organizations, and giving in Canada. The chapter begins with determining the size and the economical value of the non-profit sector. After the non-profit sector overview, terms “philanthropy”, “non-profit organization” and “registered charity” will be thoroughly described. The last sub-chapter investigates the volumes of donations in Canada and in Alberta.

### 2.1 Overview of the non-profit sector

#### *Economic significance*

The non-profit and voluntary sector in Canada is fairly remarkable, even when compared on an international scale. Based on a comparative research report “The Canadian Nonprofit and Voluntary Sector in Comparative Perspective” (Hall, Barr, Easwaramoorthy, Wojciech Sokolowski & Salamon 2005) the Canadian non-profit and voluntary sector ranks as the second largest out of the 37 participant countries in the study, when investigating the economically active population. Out of the 37 countries, only the Netherlands seems to have a larger non-profit and volunteer sector than Canada, when measured as the volume of workforce. (Hall et al. 2005)

Furthermore, as of 1999, the non-profit sector accounts for 6.8 percent of the nation’s gross domestic product (GDP), and when the value of volunteer work included, it is 8.5 per cent of the GDP. The value of the total output is equal to \$75.8 billion Canadian dollars. Based on the size of the non-profit and volunteer workforce, and its influence on the economy, it can be stated that the non-profit and volunteer sector is a significant economic force in Canada. (Hall et al. 2005)

#### *Non-profit activities*

The non-profit sector includes a large variety of different types of activities, the connector being the not-for-profit nature of all of them. Table 1 is an international classification list of the non-profit organizations. The vast majority of non-profit organizations operate in the fields listed in the table (see Table 1).

Table 1. The International Classification of Non-profit Organizations.  
(Statistics Canada 2009)

Table 1. International Classification of Non-profits	
1.	Culture and recreation
2.	Education and research
3.	Health
4.	Social services
5.	Environment
6.	Development and housing
7.	Law, advocacy and politics
8.	Philanthropic intermediaries and voluntarism
9.	International
10.	Religion
11.	Business and professional associations, unions
12.	Not elsewhere classified

The above listed operational fields can be divided into two broad categories depending on the function of their activities: 1) *Service functions*, and 2) *Expressive functions*. *Service functions* indicate the delivery of service, such as education, housing, welfare, and economic development, where as *expressive functions* focus on providing activities related to culture, recreation, sports, religion, environment, arts, community, etc. In Canada, the non-profit *service sector* is highly dominant over the non-profit expressive sector. (Hall et al. 2005)

## 2.2 Terminology

This sub-chapter explains the term “philanthropy”, and clarify the terms “non-profit organization” and “registered charity”. The secondary aim is to provide general information about the legislation and regulation of non-profit organizations and charities in Canada. Lastly, Table 3 lists the differences between non-profit organizations and registered charities, so that the reader can have a clear understanding of the difference between the two entities.

### 2.2.1 Philanthropy

The term “philanthropy” is often associated with charities and fundraising. Sometimes the non-profit sector is even referred to the “philanthropic sector”. The word itself is Greek and means the love of mankind. Commonly, the love of

mankind can be efforts to increase the well-being of humanity, or efforts to relieve human suffering. These actions may include practical kindness, financial support, mutual aid or assistance, enhancing the quality of life, religion, and volunteerism. (Ciconte & Jacob 2009)

Philanthropy is always voluntary. The person who wishes to offer philanthropic support has internal motivation for giving, whether that is seeing the happiness of others, enhancing his or her own social status, or something else. Furthermore, community service ordered by a court is not considered philanthropy, because it is not voluntary. Fundraising is often referred to as the servant of philanthropy, because it connects the non-profit funding needs with the people who have desire to give. (Tempel, Seiler & Aldrich 2011)

### 2.2.2 Non-profit organization

#### *Definition*

*A club, society or association that is organized solely for:*

- *social welfare*
- *civic improvement*
- *pleasure or recreation*
- *any other purpose except profit*

(CRA 2014a)

#### *Comparison to for-profit businesses*

The principal difference between non-profit organizations, also referred to as not-for-profit organizations, and business corporations is how they use their profits. The traditional purpose of a business corporation is to generate the profit to its shareholders, whereas non-profit organization is only allowed to use the profit to further its own organizational goals. In other words, while a non-profit can produce surpluses, it cannot be distributed to employees, shareholders or a board of directors. Instead, the surplus funds are held in reserves called trusts. (Corporation Centre 2014)

While the purpose of a for-profit corporation is to make profit, non-profit corporation's purpose is to further their organizational mission in the public

interest. Therefore, one can say non-profits are mission-driven, and for-profits are profit-driven. (Pakroo 2009)

Another difference between business corporations and non-profits is the ownership aspect. Since the purpose of non-profits is to benefit the public, as opposed to private parties, non-profits have no owners. Non-profits are public organizations, which in the end means that the general public owns them (Hutton & Phillips 2014). Consequently, a non-profit cannot be sold. At the time of dissolution, the remaining assets must be distributed to other non-profit organizations. (Legal Resource Centre 2010a)

#### *Formation of non-profit organizations*

On its own, the term “non-profit organization” does not indicate any specific type of legal structure. Non-profit organizations can be formal, *incorporated*, or informal, *unincorporated*. Incorporation is not mandatory or even essential for a non-profit organization. The decision to incorporate may depend upon the activities, nature, or type of the organization. When a non-profit organization decides to incorporate, it becomes a corporation, and it is therefore required to follow the laws designed for corporations. (Corporation Centre 2014)

*Unincorporated* non-profit association is an agreement between individuals, and the organization does not have its own legal status. Therefore, in the eyes of law, the members are liable to creditors themselves, and in case of legal trials, the members must sue or be sued personally. In other words, the members cannot legally act on behalf of the association (Corporation Centre 2014).

While an unincorporated non-profit organization is viewed as an informal agreement between the members, *incorporated* non-profit organization is recognized as a legal entity. In the province of Alberta, non-profit companies can incorporate under three different acts (Table 2). Under the *Alberta Companies Act*, an organization can take part in business activities. On the contrary, registration under the *Societies Act* has restrictions on some trade and business activities. The incorporation fees of Alberta are presented in Table 2. (Thomson & Diamond 2006)

Table 2. Incorporation Fees in Alberta (Service Alberta 2014)

Type of service	Societies Act Fee	Companies Act Fee	Religious Societies' Lands Act Fee
<b>Incorporation</b>	\$50	\$75	\$50

A non-profit can also incorporate under the federal *Canada Not-for-Profit Corporations Act* (Formerly, Canada Corporations Act, Part II). Whether to incorporate under the federal or the provincial act depends on where the non-profit intends to operate and what its objectives are (Hoffstein & Bradley 2004). For example, if a non-profit organization intends to operate in the field that is governed by federal jurisdiction, it has to incorporate federally. However, formation, operation and dissolution are generally governed by provincial laws (Hall et al. 2005, p. 4).

The benefits of incorporation are as follows:

- Distinct legal entity
  - Limited liability to the members
  - Continual existence
  - Ownership of property
  - Eligibility for government aid
  - Possible tax exempt status
- (PLEIS-NB 2004)

### 2.2.3 Registered charity

Registered charities are non-profit organizations, which have been granted a registered charity status under the *Income Tax Act* by Canada Revenue Agency (CRA), formerly the Canada Customs and Revenue Agency. While there is no liable record of the total number of non-profits in Canada, there are approximately 86 000 registered charities listed in the CRA's website. (CRA 2014c)

The designated controller for all the charitable activities in Canada is the CRA. The Charities Directorate, operating under the CRA, receives and reviews the applications, instructs and gives advice to charities and conducts audits in case of suspected misuse of charitable status or due to random selection. (CRA 2014d)

### *Requirements for registered charities*

In order for a non-profit to qualify as a registered charity, it has to meet certain requirements given for a charitable organization. One of the main requirements is that the organization has to operate exclusively for charitable purposes. The acceptable charitable purposes are: 1) The relief of poverty 2) The advancement of education 3) The advancement of religion, and 4) Other purposes that benefit the community (Imagine Canada 2014). Other CRA requirements for registered charities will be presented in chapter 3.2 Legal frameworks.

Charities do not need to incorporate to become registered charities, but usually they decide to incorporate anyway. Incorporated charities, also referred to as charitable corporations, have limited personal liability, which encourages incorporation. (Legal Resource Centre 2010b)

### *Types of registered charities*

When a non-profit organization applies for a registered charity status from the Charities Directorate, it has to choose the form of its entity, as the Canadian *Income Tax Act* recognizes three different types of registered charities. The three types of entities are: 1) *Charitable organization* 2) *Public foundation* or 3) *Private foundation*. The types of registered charities will be defined next. (Industry Canada 2011)

A *charitable organization* may be organized as a trust, a corporation or an association. It is distinguished from foundations by its active nature. Charitable organizations often solicit themselves, which means, they actively seek for public and private funding to cover the costs of their operations and to fulfill their mission. (Industry Canada 2011)

Foundations are organized as trusts or corporations. They are more passive compared to charitable organizations, as they are less likely to actively solicitate. Usually foundations fund other registered charities and their charitable activities. Like charitable organizations, *public foundations* are allowed to carry on a related business. However, *private foundations* are not allowed to participate in any

business activities. In addition, private foundations are under closer control than the public foundations. (Industry Canada 2011)

*Advantages of acting as a registered charity*

As the Canadian government has chosen to promote charitable activities and encourage donations, the main motivational factors to become a charity in Canada are the tax reductions for charities and their supporters (Hall et al. 2005, p. 4).

Other benefits related to the possession of registered charity status usually includes access to foundation funding, and in some cases, government funding. There are also reputational advantages of acting under the status of a registered charity (Hoffstein & Bradley 2004).

The ability to issue tax receipts is a fairly significant advantage for an organization. Donors can deduct the amounts of their donations when filing income taxes. A regular non-profit organization cannot issue tax receipts. However, there is no law that requires an official donation receipt to be issued for the donor at all. Therefore, as a donor, it might be hard to know if the charitable organization you are donating to is a registered charity or not, and if you can expect a tax receipt in return. (Legal Resource Centre 2010b)

Table 3. Registered Charity Compared to a Non-profit Organization (CRA 2014f)

Topic	Registered charity	Non-profit organization
<b>Purpose</b>	- Must be established and operate exclusively for charitable purposes	- Can operate for social welfare, civic improvement, pleasure, sport, recreating or any other purpose except profit - Cannot operate exclusively for charitable purposes
<b>Registration</b>	- Must apply to the CRA and be approved for registration as a charity	- No registration process for income tax purposes
<b>Charitable registration number</b>	- Is issued a charitable registration number upon approval by the CRA	- Is not issued a charitable registration number
<b>Tax receipts</b>	- Can issue official donation receipts for income tax purposes	- Cannot issue official donation receipts for income tax purposes

<b>Spending requirement</b>	- Must spend a minimum amount on its own charitable activities or as gifts to other registered charities	- Not applicable
<b>Designation</b>	- Is designated by the CRA as a charitable organization, a public foundation, or a private foundation	- Does not receive a designation
<b>Returns</b>	- Must file an annual information return within six months of its fiscal period-end	- May have to file a T2 return (in incorporated), and/ or an information return within six months of its fiscal period end
<b>Personal benefits to members</b>	- Cannot use its income to personally benefit its members	- Cannot use its income to personally benefit its members
<b>Tax exempt status</b>	- Is exempt from paying income tax	- Is generally exempt from paying income tax - May be taxable on property income or on capital gains

### 2.3 Monetary giving in Canada

The sources for charitable and non-profit funding vary between organizations. However, the funding normally consists of government subsidies or grants, corporate donations, foundation grants, and fees. Despite the existing variety of funding, almost all charitable organizations rely on individual donations for fulfilling their mission and keeping the daily operations running. In other words, charitable organizations would not survive without the donations from individuals. (Turcotte 2012)

This chapter investigates the Canadian individual monetary giving in 2010, based on the “2012 Generosity Index” (Gabler, Palacios & Lamman 2012), and the survey “Canada Survey of Giving, Volunteering and Participating” (CSGVP). The Generosity Index uses the Canada Revenue Agency’s T1 Preliminary Income Statistics, which accounts for approximately 95% of all the tax returns, filed by individuals in Canada annually (Lasby 2011). CSGVP, on the other hand, was conducted by Statistics Canada, and it gathered information from over 15 000 Canadians by telephone interviews (Turcotte 2012).

*The Generosity Index 2012*

The 2012 Generosity Index found that 23.3% of all the Canadian tax filers made, and most importantly claimed, a charitable donation in 2010. This number indicates the extent of generosity in Canada. Based on this study, all the donations totalled \$8.5 billion. The province showing the greatest generosity was Manitoba (26.2%), and the lowest was Nunavut (9.7%). Alberta ranked fifth, as 24.2% Albertans claimed a charitable donation in 2010. When examining the average amounts of the donations, Alberta ranked first with \$2 289, while the lowest average was recorded in Quebec (\$641). (Gabler, Palacios & Lammam 2012)

There are three major factors affecting the validity of this study. First, tax filers can carry donations forward for up to five years from when they were made. So the 2010 claimed donations could also originate from the previous years. In addition, some of the 2010 donations were most likely not claimed because of the “carry forward” opportunity. Secondly, spouses with higher incomes can claim their partners’ donations, which means that the actual number of donors was probably higher than what is shown in the CRA records. Lastly, only registered charities can issue tax-deductible donation receipts, which means that the research only investigated donations towards registered charities. (Simms 2013)

*Canada Survey of Giving, Volunteering and Participating*

According to the CSGVP, 84% of Canadians aged 15 and over, or almost 24 million people, donated at least once during the year 2010. This rate remained unchanged from the year 2007. The amount of all donations also stayed relatively the same, totalling about \$10.6 billion in 2010. Based on this study, the average donation by individuals nation-wide was \$446. (Statistics Canada 2012)

In this survey, the province of Alberta stands out from the other provinces with an indication of higher donations compared to the other provinces. Not only is the average donation highest in Alberta (\$562), but Alberta also has the highest proportion of so called “top donors”. The top donors belong to the upper quartile, or the top 25% of individuals, who donate the largest amounts. This may suggest that individuals have more disposable income in Alberta. (Statistics Canada 2012)

When examining the validity of this study, one must bear in mind that the population of this telephone survey consisted of approximately 15 000 Canadians. Since these calculations are derived from a relatively small population, the results should be interpreted with caution. In addition, like the Generosity Index, CSGVP only includes tax-deductible donations to registered charities. (Turcotte 2012)

### *Conclusion*

These two sources have remarkable differences regarding their findings. While the Generosity Index found that only 23.3% of the Canadian tax filers donated to charities, 84% of CSGVP respondents stated that they made a charitable donation in 2010. It is uncertain what causes the immense difference in the findings, as both of the studies only include contributions to registered charities. However, the Generosity Index is more liable than the CSGVP because it examines a much larger population, and its source is the CRA, the official tax regulator of Canada.

Even though it is uncertain what the real rates and volumes of giving are, one general conclusion can be made based on the two studies: Alberta stands out as a generous province in both sources – Generosity Index and CSGVP. Both studies indicate that the highest averages of monetary donations are recorded in Alberta. Alberta is one of Canada's the best places to make a charitable donation as the provincial tax credit rate is 50% for charitable donations over \$200 Canadian dollars (Simms 2013).

### 3 FUNDRAISING AS A REGISTERED CHARITY

Charitable fundraising is a term generally used in regards to fundraising conducted by charitable organizations. However, a charitable organization can be both a registered charity and an unregistered charity. Only registered charities can issue official donation receipts, even though all non-profit organizations can engage in fundraising activities. (Legal Resource Centre 2010b)

This chapter explains the basics of charitable fundraising starting with the definition, continuing with the two commonly used fundraising models, and lastly explaining the ethical and legal frameworks applied in Alberta, Canada.

#### 3.1 Fundraising

Fundraising (sometimes referred to as "development") is, at its simplest, raising money to support the organizational mission, the philanthropic goal. Charities do not typically earn their money by selling products or services like for-profit businesses do. Therefore, soliciting can be considered as their act of selling. When compared to for-profit selling, non-profit fundraising can be very challenging and political, due to different corporational and governmental procedures and the legal regulations in Canada. (Pakroo 2009)

CRA (2014b) defines fundraising as: "Any activity that includes solicitation of cash or gifts in kind, whether the solicitation is explicit or implied". Explicit solicitation involves marketing or just the message "please give", while implicit does not include marketing (CRA 2014b). Requests for government funding are not considered fundraising, even though this form of funding often falls under the development activities (Éducaloi 2014).

Fundraising can be *direct* or *indirect*. Direct fundraising activities include telemarketing, direct mail, Internet or media campaigns, printed information, special events, sales of goods or services, or sponsorship programs. Indirect fundraising includes development of fundraising strategies, recruiting and training development officers, hiring fundraisers, or creating donor recognition programs. (CRA 2014b)

### 3.1.1 Case of support

Case of support is the general argument on behalf of the organization on why people should support their cause. Without it, a non-profit does not have the right to fundraise (Tempel, Seiler & Aldrich 2011). In addition, case of support is what distinguishes the organization from its competitors. Therefore it can act as a competitive advantage or disadvantage (Sargeant & Shang 2010).

Case statement is the main philanthropic argument. It illustrates some of the core elements of the case, and highlights the critical factors. In order to make the case believable it has to be effective. What public demand is the organization trying to fulfill? How well does it meet the needs of people? In the business world this issue would relate to the market demand, and the question would be: Is the company answering to the needs of its target group with its products and services? In addition to the effectiveness of the statement, there should also be proof behind the statement. Case resources are the proof of the statement. (Tempel, Seiler & Aldrich 2011)

Case resources build and justify the case statement. They may consist of the following information elements:

- Vision: What does the organization want to become?
- Mission statement: Why does it exist? What are the values?
- Goals: What does it want to do?
- Objectives: How does it reach the goals?
- Programmes: How does it benefit the public through the programmes?
- Finances: How do the objectives link with budgeting?
- Governance: What makes it appealing and qualified?
- Staffing: What makes it competent and professional?
- Facilities & services: What makes it accessible, convenient and visible?
- Planning & evaluation: What shows that it takes the cause seriously?
- History: What does its past actions reflect?

(Tempel, Seiler & Aldrich 2011)

When transforming the goals into objectives, one should keep objectives SMART:

**S**pecific            **M**easurable            **A**chievable            **R**elevant            **T**imescaled

(Sargeant & Shang 2010)

Case resources and the statement form the internal case of support. In order for the staff to effectively articulate the external case of support to the constituency, they need to understand and adopt the internal case of support. The external case of support is the bedrock of the external communication and marketing. If the organization has a Development Director, he or she should be the one to begin the case development process and reflect the case statement in his or her work consistently, as an example to the other development staff members. (Tempel, Seiler & Aldrich 2011)

### 3.1.2 Constituency model

The constituency is the group with actual or potential interest in the organization. All these parties are, in some way, involved with the organization. The constituency includes people who are involved currently, were involved in the past or will potentially be involved in the future. Some of these people are closer to the organization and some are more distant. The level of the involvement is constantly changing because people's life situations change. The model is presented in Figure 2. (Tempel, Seiler & Aldrich 2011)

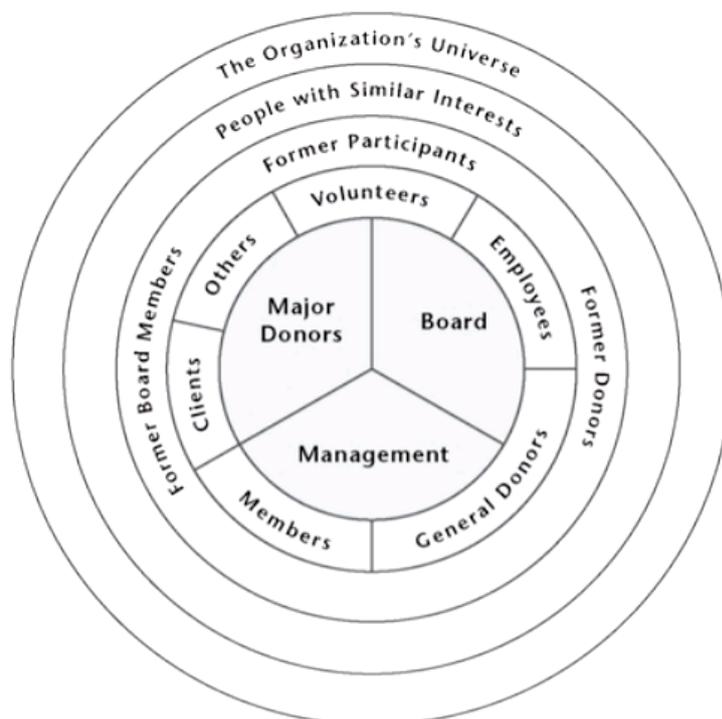


Figure 2. The Constituency Model. (Tempel, Seiler & Aldrich 2011, p. 20)

For an organization to reach the highest potential in engaging its constituency, it needs to identify the different groups and involvement levels of its constituency. Knowing people's interests, wants and needs not only saves time and resources, but it is also vital when targeting fundraising efforts. The constituency model is often presented as a concentric circle model, as this helps to visualize it.

### 3.2 Legal frameworks

In Canada, the legislative power is divided between the Federal and Provincial governments. Provincial governments are allowed to legislate freely within their own fields of jurisdiction, also referred as their exclusive provincial jurisdictions. There are exclusive federal jurisdictions, which are governed by the central government. In addition, there are areas with shared jurisdiction. Table 4 shows how the jurisdictional areas are divided between the two legislative bodies. Sometimes, when the provincial and federal laws overlap, conflict might arise. In a situation of conflict federal law has the precedence over the provincial law. (University of Ottawa 2014)

Table 4. Allocation of Jurisdictional Focuses. (University of Ottawa 2014: [Boudouin 1990])

Federal jurisdiction	Provincial jurisdiction	Shared jurisdiction
Trade	Public lands and forests	Agriculture
Taxes	Health system	Companies and economic development
Postal service	Municipal institutions	Prisons and justice
Militia and defence	Marriage	Fishing
Currency & banks	Property and civil rights	Public works
Indian policies	Education	Transportations and communications
Criminal law	Business licences	Immigration
Residual powers (not defined in the British North America Act)	Provincial constitution	
Right of disallowance over the provinces		

Registered charities have to comply with both federal and provincial laws in Canada. Since the charitable sector is extremely diverse, this sub-chapter investigates only a few of the most relevant laws related to the topic: the federal *Income Tax Act* and *Canadian Anti-Spam Act*, the provincial *Charitable Fundraising Act*, *Municipal Government Act*, and *the Gaming and Liquor Act*.

### 3.2.1 Laws regulating registered charities

#### *Income Tax Act*

Requirements for charities under the Income Tax Act are as follows:

*The main obligations of a registered charity are to:*

- *Devote its resources (funds, personnel, and property) to its charitable purposes and activities*
- *File its annual form T3010, Registered Charity Information Return, within six months of its fiscal period-end*
- *Meet the annual spending requirements*
- *Keep the adequate books and records in Canada, and make them available for review by the Canada Revenue Agency on request*
- *Make sure that official donation receipts are complete and accurate when issued*
- *Control and direct the use of all its resources (funds, personnel, and property)*
- *Maintain its status as a legal entity*

(CRA 2014b)

Fundraising is not viewed as a charitable activity by the federal regulator CRA. As registered charities are required by law to devote their resources exclusively to charitable activities, CRA has set strict limitations for fundraising (CRA 2014b). A charity can only use some of its resources for fundraising in order to support the charitable activities. In other words, a charity can engage in fundraising as long as that does not become the main goal of the charity. (Legal Resource Centre 2010b)

#### *Canadian Anti-Spam Law*

The federal government's "Canadian Anti-Spam Law", also known as CASL, passed in December 2013 and came into effect on July 1<sup>st</sup>, 2014. The purpose of

the law is to decrease electronic spam by ensuring that the recipient of a commercial electronic message (CEM) has agreed to receive messages from the sending party. In addition, the sender of such a message has to clearly mention: a) who is the sender, and b) how the recipient can unsubscribe. (University of Alberta 2014)

The anti-spam legislation focuses only on commercial messages, which in this case excludes charitable fundraising. However, if a registered charity is encouraging participation in any commercial activity, such as promoting sales for a product or a service, then the law applies. (Canadian Radio-television and Telecommunications Commission 2014)

### 3.2.2 Laws regulating fundraising

#### *Charitable Fund-raising Act*

While raising money is important for registered charities, fundraising is highly regulated in Canada. In addition to the federal Income Tax Act, each province has laws regulating the legal structure, and fundraising (Legal Resource Centre 2010c). In the province of Alberta, the Charitable Fund-raising Act and the Charitable Fund-raising Regulation form the law that controls charitable fundraising. (Service Alberta 2011)

Under the law, charitable organizations must register if: they intend to raise over \$25 000 gross in a fiscal year, have raised \$25 000 without intending to, or will use the services of a fundraising business. The main responsibilities under this act are: 1) disclosing information to donors, 2) preparing financial statements, and 3) keeping proper records. (Service Alberta 2012)

#### *The Municipal Government Act*

The Alberta Municipal Government Act allows Councils to pass by-laws. By-laws are a way to tackle issues and concerns that arise at local levels. They regulate environment, public health, public safety, and maintain order in the communities and cities. By-laws protect the public, and in order to meet the changing needs of the public, they can be amended. (The City of Calgary 2014)

### *The Gaming and Liquor Act*

When organizing fundraising events where alcohol will be served, or where individuals will be engaged in charitable gaming, one must acquire proper licencing for such activities. Alberta Gaming & Liquor Commission (AGLC) administers and regulates the law, grants gaming licences to charitable or religious groups, and issues licencing for liquor activities across Alberta. (AGLC 2014)

### 3.3 Ethical frameworks

Non-profit organizations are expected to operate with higher ethical standards than for-profit companies because they serve the general public (Tempel, Seiler & Aldrich 2011, p. 395). Moreover, the success of the organizational mission lies in the trust of the public, including the donors, volunteers, sponsors, patrons and the community. Therefore, it is especially important for non-profit organizations to have the ethical standards and practices in place when conducting fundraising activities. (Sargeant & Shang 2010)

Accountability is a very suitable word for describing this ethical responsibility of non-profit organizations. Accountable actions demonstrate transparency, self-regulation, openness, effectiveness, professionalism, focus to the mission, and ability to adhere to the laws and regulations. Accountability maintains the donors', sponsors', volunteers', program recipients' and public's confidence in the non-profit sector. (Ciconte & Jacob 2009)

While the legal regulations only provide non-profits with the minimum standards for fundraising, the ethical aspects go further than that (Sargeant & Shang 2010). In the field of fundraising, there are a number of different guidelines available for creating the base for the ethical standards of fundraising. Two of these standards stand out in North American literature: the Code of Ethical Principles and Standards, and the Donor Bill of Rights. (Ciconte & Jacob 2009)

### 3.3.1 North American standards

#### *Code of Ethical Principles and Standards*

The Association of Fundraising Professionals (AFP) wrote the original Code of Ethical Principles and Standards (Appendix 1) in 1964. This international organization was the first in the world to create a Code of Ethics for fundraising professionals. Even though the Code is significant and one of its kind, it has some shortfalls. One of the shortfalls is the fact that it does not address reputational responsibilities directly. (Petty 2008)

The AFP exists to foster the development of fundraising professionals, to promote the ethical practices for fundraising, and to help its members recognizing and developing awareness for ethical dilemmas. Members of AFP have agreed to follow these practices, and are committed to the preservation and enhancement of philanthropy and volunteerism. However, not just the members of the AFP benefit from the Code of Ethical Principles and Standards, any non-profit can reference AFP's standards when creating their own Code of Conduct. (AFP 2007)

#### *Donor Bill of Rights*

Another popular source for ethical standards is the Donor Bill of Rights (see Appendix 2). It was created by the AFP in cooperation with the Association for Healthcare Philanthropy, the Council for Advancement and Support of Education, and the Giving Institute. The main aspects of the Donor Bill of Rights are honesty, transparency, confidentiality, self-regulation, professionalism, and the alignment of practices and mission. (AFP 2007)

### 3.3.2 Code of conduct

The AFP's Code of Ethics and Donor Bill of Rights are the commonly used international standards, but they do not cover any national regulation or cultural aspects. Therefore, each non-profit must decide what is ethical in its own environment and culture. Code of conduct is an organization's own ethical guideline. It determines the ethical rules which all the members agree to apply in

their daily work. It draws the practical line between what is accepted, and what is not accepted from the representatives of the organization. (Petty 2008)

Code of conduct should at least include the monetary and accounting practices, communication practices, representing practices, and examples on how to behave and act in certain situations. In addition, it should identify the individuals responsible for specific problems, and the consequence of breaking the code. (Genn 2009)

## 4 EVENT FUNDRAISING

The primary purpose of event fundraising is to raise funds for the organization. Fundraising events are often referred to as special events (Craven, Golabowski & Waldoch 2006), even though special events can also have a purpose other than fundraising (Cox 2010). This chapter explains what special events are, what their purposes and risks are, and what the most common types of philanthropic special events are.

### 4.1 Special events

Special events are special functions, outside non-profit's usual activities, where either specific members, or the general public is invited (Bray 2013) in order to achieve organizational objectives (IBC 2014) by involving attendees with the organization or a cause (Tempel, Seiler & Aldrich 2011). Special events aim to attract constituencies by being social, fun, engaging and, last but not least, entertaining (Craven, Golabowski & Waldoch 2006).

By definition, special events themselves are not particularly focused on raising money (Tempel, Seiler & Aldrich 2011). For charities, however, the primary purpose of a special event often is exactly that. Yet, according to multiple sources (Bray 2013, Cox 2010, Ciconte & Jacob 2009), there are easier, and more importantly, less risky ways to raise funds than special events. Special events can be costly and labour intensive. Risks of public failure, losing money and exhausting volunteers are relatively high (Bray 2013). Therefore, a question arises: Why even fundraise through special events if there are easier ways to raise money?

#### 4.1.1 Purposes

When an organization plans to execute an event there should be other motivational factors behind the decision. Other purposes for special events may include: identification of prospects, education, cultivation, donor recognition, creating public awareness, strengthening the brand, and recruiting volunteers. These purposes do not exclude each other; instead, they can be present at the same

time during an event. However, defining the primary objectives for an event beforehand is the key to success with special events. (Cox 2010) This chapter introduces some of the purposes that special events commonly have for organizations.

### *Raising money*

If the main purpose of an event is to generate money it is called a fundraiser. Fundraisers provide an environment where the guests are encouraged and somewhat expected to make monetary gifts to support the organization (Cox 2010). Thus, in solicitation events, asking is always part of the event. In these situations guests tend to expect that they will be asked for a financial contribution at some point during the event (Tempel, Seiler & Aldrich 2011). The question is: where exactly does the majority of the cash flow come from at fundraisers?

Selling tickets and sponsorships often forms a significant portion of the profits for a fundraiser. However, auctions and raffles also play an important role in creating revenue and increasing excitement at fundraisers (Ciconte & Jacob 2009). In addition, face-to-face solicitation including special appeals, such as fund-a-need, is an effective way to conduct solicitation (Tempel, Seiler & Aldrich 2011).

### *Identification of prospects*

Prospect identification, sometimes referred to as “friendraising”, can be a valuable asset when seeking new sponsorships, donors, volunteers or other important contacts for the future. Identification events can include galas, runs and tournaments (Cox 2010). The prospects may have attended the event because of an interesting agenda or activity, or because they got an invitation from a friend. Therefore, they may not necessarily be aware of the charitable cause (Tempel, Seiler & Aldrich 2011).

The goal of an identification event is networking and gathering contact information from the guests. Contact information can be collected by having the guests fill out a registration form, or by exchanging business cards (Bray 2013). The best possible outcome is achieved when the prospects not only had a

wonderful time, but also remember what the cause of the event was (Tempel, Seiler & Aldrich 2011).

### *Public awareness and visibility*

Special events create tremendous opportunities for public promotion, as they are interesting, fun and outside of the organization's normal range of activities. Familiarizing the public with the organization and its programs can increase the attention to the cause, and consequently attract new donors, volunteers and sponsors (Ciconte & Jacob 2009). The promotional activities may include: distribution of marketing materials, such as invitations, brochures, programs or flyers, in addition to media coverage; articles in the newspapers, advertisements on the radio, social media advertising, or television clips from the event. One should also remember the power of word of mouth, as it spreads both positive and negative awareness (Genn 2009).

### *Cultivation*

The goal of a "cultivation event" is to engage interest and to inform people about the meaningfulness of the charitable mission. Furthermore, these events provide the supporters with evidence reasserting the organizational case of support (Cox 2010). The attending guests are often familiar with the cause, and the organization sees them as major prospects. Even though it is likely that the guests share the interest in the cause, engaging and maintaining the interest of supporters and prospective donors is not always easy. Therefore, successful cultivation requires comprehensive strategies. (Tempel, Seiler & Aldrich 2011).

An efficient cultivation strategy is donor specific. Inviting a random group of people to join an event is not a good cultivation plan. In worst case, those people have to be pleaded with to join because the target was wrong. People should not be pleaded with to attend the event; instead, the events should be so special and exciting that major prospects want to join spontaneously. Another bad idea is to have too many cultivation events. This demands vast amounts of time, and decreases the speciality of an individual event. (Kaiser 2013)

### *Recognition and stewardship*

Unlike cultivation events, where the attention is directed towards the organization and to what it does, recognition and stewardship events focus on the supporters – donors, sponsors and volunteers. Recognition is a vital part of the fundraising continuum (Cox 2010). In order to keep people committed to the cause, their work must be acknowledged by the organization. Some examples of recognition events are: award ceremonies, dedications, presentations of donor walls and private gatherings (Cox 2010). Naturally the supporters want to hear about the difference their contributions have made, but some also enjoy socializing with people who have similar interest to them (Tempel, Seiler & Aldrich 2011).

#### 4.1.2 Types

There is an endless number of options for special events. The ones presented in this chapter are not only the most common types of philanthropic special events (LoCicero 2008), but they are also in the repertoire of the commissioning charity of this thesis. Choosing the right events and fundraising methods is not an easy task for an organization. Thorough examination of the donor base, and viewing the organizational mandate may help when deciding which events and methods suit the organization's needs the best. The events should reflect and incorporate the organizational cause, in addition to reaching the financial and other goals that the organization has set for the events. (Genn 2009)

#### *Auctions*

Auctions, both silent and live, can either be the main activity of an event or just a side activity for another type of event. Regardless of what the event focus is, auctions have been proven successful in generating vast amounts of profits for charities. This is because the items in auctions are normally donated to the charity and the charity is left with collecting the profits from the sales. (Bray 2013, p. 237)

Silent auction is quiet, and therefore it can easily be combined with another event. Guests move freely in the auction area during the event and place their bids for as many items as they wish. The items are often displayed on decorated tables or

easels (paintings) with bidding sheets, and the guests write their bids on the sheets where everyone can see them. Minimum bids are often set under the market value in order to lure people into bidding (Craven, Golabowski & Waldoch 2006). Bidding is time pressured, which increases the excitement and encourages bidders to bid higher if they wish to win the item. When closing the auction, winners can either be announced, or bidders can be asked to check the bid sheets themselves. (Bray 2013, p. 235)

Live auctions, on the other hand, are very different from silent auctions. In live auctions, the auctioneer presents the items one at a time and draws the audience into bidding. People call out their bids by using their voice or by lifting paddles or fans (LoCicero 2008). It is claimed that live auctions are more profitable than silent auctions, because they are more energetic and social. As people compete with each other out loud, they end up bidding closer to the market value, or even more than what the value is (Bray 2013, p. 235).

### *Raffles*

Raffles are said to be the “cousins” of auctions. Although they cannot be categorized quite as events, raffles are a great way to accumulate extra revenue with minimum effort required (Bray 2013, p. 238). All that is really needed is the licence, the prize, raffle ticket stubs, and people to sell the raffle. Additionally, record keeping, such as amounts of tickets sold, is required by Alberta Gaming and Liquor Commission (AGLC), the administrator of the Gaming and Liquor Act in the province of Alberta. (AGLC 2014)

### *Food events*

There are many variations for great food events. They can be formal sit-down luncheons with a set menu, stand-up receptions with hors d'oeuvres and cocktails, buffet style dinners with open bars, tastings, dine-arounds – the options are endless (Allen 2009, p. 251). However, food and beverages are often the most expensive part in an event, which can be a challenge to charities. In order to bring the costs down, the event planner has to get creative and be willing to ask for discounts (Freedman & Feldman 2007, p. 38).

There are also other challenges with food events. One of the challenges is preparing the right amount of food. The goal is not to run out of food but, also, not to prepare too much food. The second challenge is special meal requirements. An easy way to discover people's meal requirements is to include a special meal request section in the registration form. The last major challenge is the scheduling of the meal. The flow of the courses has to go together with the planned entertainment at the event. If the guests are eating their main course, they are less likely to participate in activities at the same time. In addition, one must take into account both early arrivals and latecomers when planning the meal schedule. (Allen 2009)

### *Athletic events*

Tennis, golf and car racing tournaments are some of the most popular athletic fundraisers. However, organizing a tournament demands a lot of laborforce. Registration, site negotiations, ticket sales, recruiting sponsors and competitors, staffing, refreshment planning, soliciting prizes, and marketing are just some of the tasks related to arranging tournaments and other major sporting events. (Freeman & Feldman 2007, p. 29)

Runs and walks, on the other hand, are somewhat simpler to execute, although the same tasks apply. Their aim is to raise awareness and/ or funds, and they are commonly organized as "a-thons" (Bray 2013, p. 243). A-thons, such as walkathons, can either be competitive or non-competitive. The idea is that the participants solicit pledges from people before the event. The more pledges they get, the more money they will earn for the charity. Participants can also form teams (co-workers, families, friends, etc.) and each team can choose a captain. The team or individual raising the most funds for the charity will be rewarded with a prize after the race. (Freeman & Feldman 2007, p. 9)

### *Festivals*

Festivals normally include events related to fashion, filmmaking, wine, religion, art and music. However, every charity can invent its own theme for a festival if it wishes to do so. Festivals typically display a wide range of vendors, talents or activities, and incorporate many different elements such as musical, dance or

theatrical performances, exhibitions, demonstrations, merchandise sales, food and beverage sales or other services. Festivals require a lot of planning and resources, as they usually comprise a series of events. (The City of Calgary 2012)

## 4.2 Risks

Risk refers to a possibility of a future incident that has an impact on something important. Risks can be divided into three categories; 1) negative: threats/ hazards, 2) positive: opportunities, and 3) uncertainty risks (Hopkin 2012). Risks are unpredictable in nature and the full extent of the impact is discovered upon realization of the risk. This sub-chapter introduces the reader to the four special event risk types: financial risks, reputational risks, safety risks and security risks. After identifying the risk types, the concept of risk management is explained and three of its stages are reviewed. (Dobson & Leemann 2010)

### 4.2.1 Event risk types

#### *Financial risks*

Special event can be considered to fail financially when the goal of a special event is to generate money, but, instead, the event ends up barely breaking even, or even worse – costs money. There are four general reasons why special events fail financially: 1) high costs, 2) low prices, 3) not enough tickets sold, and 4) unrealistic expectations (Wyman 1990).

In addition to the four general reasons, weather and other unpredictable factors can affect the financial success of a special event. Cancellation due to an unexpected circumstance is the worst financial outcome, while postponing the event might have negative impact on the reputation of the charity. To manage this risk, event cancellation insurance should be considered in cases where cancellation or postponing would cause remarkable losses. (Craven, Golabowski & Waldoch 2006)

### *Reputational risks*

Reputational risks will, upon realization, have an affect on 1) customers desire to trade or engage with the organization, and 2) the level of customer retention. This risk occurs when an organization fails to achieve the desired perception of the public (Hopkin 2012). Addressing the disappointment of customers is especially important when avoiding negative public image. An organization must apologize, compensate, fix and discuss the issues as fast as possible, when they occur. Using constructive criticism to develop the organization, and treating people with respect, maintains the positive attitudes towards the organization. However, angry or hurtful comments should generally be ignored, as responding can often worsen the situation. (Hutton & Phillips 2014)

### *Safety risks*

Injury risks, involving staff, volunteers and attendees, should be closely recognized and prevented before the event. High-risk activities, such as alcohol service, sports, fireworks and children's activities, should especially be taken into account when assessing safety risks (IBC 2014).

Emergency and fire risks demand extra attention when planning special events. Alberta Emergency Management Agency recommends creating an Emergency Response Plan for major events (AEMA 2013), and local fire departments usually have their own requirements for fire safety. In addition, food safety and hygiene is strictly regulated by Alberta Health Services (AHS) and should be taken into account when planning events with food and beverage service (AHS 2014).

### *Security risks*

Security is an important factor in every event. Hiring professional security personnel reduces the overall safety risk, as they control the crowd, protect the facility, and prevent event crashers from getting inside the premises (Freedman & Feldman 2007, p. 41). Other than protecting people from injuries, and premises from damage, handling money is another security issue. Making sure sensitive tasks are entrusted to the hands of suitable people, and that those people know their responsibilities, is essential. For example, volunteers should be informed that

cashiering responsibilities cannot be handed over to someone else halfway through an event. In addition, cash needs to be secured at all times, whether it is in a locked and hard to move box, or other special place. (Bray 2013, p. 270)

#### 4.2.2 Risk management

Even though risks are unpredictable, one can still be prepared for them. That is referred to as risk management. The aim of risk management is to reduce the factor of uncertainty (Hopkin 2012). Risk management is a process, which can be split into four broad stages: 1) identification, 2) assessment, 3) control, and 4) monitoring (IPB Insurance 2013). This chapter explains these stages from the hazard risk management perspective.

##### *Risk identification*

The identification process includes discovering and distinguishing the possible risks. There are many options for identifying hazard risks (threats) – historical data, current data, personal experiences, expert opinions, and analysis tools such as SWOT and PESTEL (Safety Canada 2014). Risk identification can be approached from different perspectives, which include origin, activity and consequence perspective (ENISA 2014).

##### *Risk assessment*

The common way to assess threats is to divide them into levels by reviewing their magnitude and likelihood. Magnitude refers to the impact and the consequence of the risk materializing. The likelihood, on the other hand, indicates the probability of an incident. The assessment can be done by placing the known risks on a risk map, also referred to as the risk matrix or the heat map, presented in Figure 3. The horizontal axis usually shows the likelihood, and the vertical axis magnitude of the risk. The risk matrix is an important risk management tool, as it can help an organization to evaluate which risks are acceptable and which risks require control. (Hopkin 2012)

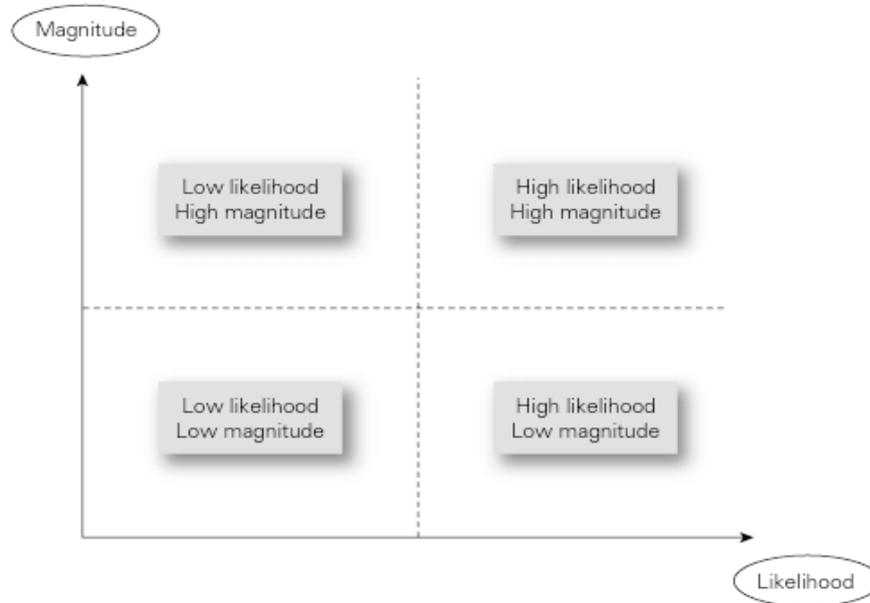


Figure 3. Risk Matrix. (Hopkin 2012)

*Risk control*

The purpose of hazard risk control is to eliminate risks or to reduce their likelihood and impact. It is an ongoing process of creating strategies, evaluating the options and implementing the chosen options. The 4Ts, presented in Table 5, are commonly used to control hazard risks. The four T’s are: tolerate, treat, transfer and terminate. (IPB Insurance 2013)

Table 5. 4Ts Model Combined with Risk Matrix. (Hopkin 2012)

Impact	Likelihood			
	Unlikely	Possible	Likely	Almost certain
Small	Tolerate	Tolerate	Treat	Treat
Moderate	Tolerate	Tolerate	Treat	Treat
Severe	Transfer	Transfer	Terminate	Terminate
Disaster	Transfer	Transfer	Terminate	Terminate

A *tolerable* risk does not require any further action or there is no point in treating the risks, which means there is a relatively high cost for a small gain. *Treating* the risks is the most frequently applied option for hazard risk control. By treating risks an organization can reduce the likelihood of them materializing. The most unlikely and high impact risks, however, should be *transferred* or shared with another party through insurance or a contract. A risk transfer is a good option for minimizing financial risks. Risks with both a high likelihood and a high impact should be *terminated* all together. Termination can be implemented by removing the source of the risk or by avoiding the risky activity. (Hopkin 2012)

### *Risk monitoring*

When evaluating and reviewing the accomplishments and the shortcomings of risk control, the following fundamental aspects should be considered:

- Are the determined control strategies taken into action as planned?
- Which control actions worked?
- Which control actions did not work?
- Were new threats identified?

(Fraser & Simkins 2010)

After the evaluation, the results can be used to change the previous risk control strategies. Continuous development ensures the best possible outcomes regarding the risk management process. (Fraser & Simkins 2010)

## 5 DISCUSSION

The purpose of this product-oriented thesis was to create a special events orientation manual for a specific registered charity, and to provide a framework for it in the theoretical part of the paper. The purpose was described broadly because of the writer's lack of knowledge on the subject at the start of the project. Based on the initial literature review and the interviews conducted, the following three aspects were selected as the main focus of the thesis: the legal, ethical and risk related issues of event fundraising.

Within the selected topics, the aim of the theoretical part was to provide relevant knowledge for event fundraising and especially answer questions 1) what are the ethical and legal frameworks for event fundraising, and 2) what are special events, their risks and the tools for risk management.

### *Connection between the theoretical part and the manual*

The theoretical part begins by introducing the reader to both the non-profit sector and to giving in Canada. The basic idea of fundraising is described next, and two fundraising models are presented. The legal section briefly explains the legal system in Canada, and then introduces the laws related to the subject. The ethical portion addresses common North American standards, and then outlines what a code of conduct is. The last chapter defines what special events are, what types of risks are related to them, and how to manage those risks. All of this information in the theoretical part helps the reader obtain knowledge and understanding of the context and background of the subject.

The information and the introduced models of the theoretical part are used in the Special Events Manual. The contents of the manual are shown in Appendix 3. For example, the chapter 3.1 on "fundraising" talks about the two basic fundraising models – the case of support and the constituency model. In the manual the models are applied to identify the charity. Chapter 3.2 on "legal frameworks" lists the laws that registered charities must comply with. The manual then explains how to implement those laws. In chapter 3.3 the "Ethical frameworks" reviews the common standards and the code of conduct. The manual gives suggestions based on the standards, and presents the charity's own code of conduct. Chapter 4.4 on

“risks” discusses the most common risk types of special events, and shows the two risk management tools – risk matrix and the 4Ts. These tools are also applied in the manual.

#### *The research method and its reliability*

Prior to designing the manual, the current Special Events Manager was interviewed for information and suggestions about what the finished manual should contain. The Special Events Manager recommended the following: a clear introduction of the organization, special events work tasks, information about past events, objectives for the events, and a statement of what the desired event characteristics of this specific charity are. The most time-consuming issues recognized were permits and licences, auctions, and research related to past events. After the Special Events Manager, the CEO was interviewed. The CEO outlined what a successful event would look like from an organizational perspective. That success included the importance of aligning the mandate to the event planning. All of the answers and ideas formed the basis of the final product, the manual.

When examining the reliability of the research method, one must consider what kind of aspects could affect the results. The questions in the two interviews were pre-prepared and contained both open and structured questions. It is possible, even though the questions were carefully selected, that some of the questions predisposed the answers. Another aspect, which could have influenced the validity, is whether the right people were interviewed, and whether they were being completely honest. In this case, the people interviewed were the employer and the employee. The employer may not have been the best person to answer a question about the needs of the Special Events Manager. At the same time, the employee may have understated the challenges of the position, in case the employer would find out the results of the interview.

#### *Personal development of the writer*

The research and the writing process of the thesis was quite challenging at times, but also very interesting and educating throughout the whole project. The overall

personal development during the project was noticeable – especially in terms of language and communication skills.

The most challenging part of the whole process was determining the scope of the thesis. The original plan was to include more information about fundraising than special events because of the assumption that there were not enough sources available regarding special events. This was a misconception. During the research and the drafting of the theoretical part it became clear that fundraising is a very wide topic and there are, in fact, vast amounts of literature available related to special events. Another misconception in the beginning was that the manual could cover all the event-planning tasks individually and extensively. This was proven impossible as the subject of event planning could form a whole thesis by itself. Due to the extent of the subject, defining the scope and adhering to the chosen topics were some of the major challenges of the writing process.

The experience of creating the manual in cooperation with a Canadian charity was extremely positive. A formal commissioning contract was signed and a contact person was appointed in the beginning of the project. Even though the staff members were busy with their own work tasks they still managed to participate in the interviews, and responded promptly to e-mail inquiries about further information.

#### *The significance of the product*

One of the possible shortfalls of the manual is the fact that it does not cover all the special events related work tasks. For instance, it does not cover sponsorships, volunteer management or marketing. However, the areas that are covered – the legal, ethical and risk related issues – are covered profoundly.

The significance of the manual cannot truly be evaluated before the manual is put into use by the organization. The aim of the manual was to decrease the time spent in orientation and research, and provide reference material that lowers the risks of mistakes. The manual is a success if it decreases the time spent in orientation, and makes it easier for the new team member to integrate and learn the special events tasks. Since it provides a lot of relevant information in one guidebook, the manual is an effective reference tool, and definitely fulfills its purpose.

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## 7 APPENDICES

### Appendix 1. Code of Ethical Principles and Standards. (AFP 2007)

# AFP Code of Ethical Principles and Standards

## **ETHICAL PRINCIPLES • Adopted 1964; amended Sept. 2007**

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical behavior in the fundraising profession and to preserve and enhance philanthropy and volunteerism. Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy, are committed to the preservation and enhancement of volunteerism; and hold stewardship of these concepts as the overriding direction of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled. To these ends, AFP members, both individual and business, embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support. AFP business members strive to promote and protect the work and mission of their client organizations.

### **AFP members both individual and business aspire to:**

- Practice their profession with integrity, honesty, truthfulness and adherence to the absolute obligation to safeguard the public trust
- Act according to the highest goals and visions of their organizations, professions, clients and consciences
- Put philanthropic mission above personal gain;
- Inspire others through their own sense of dedication and high purpose
- Improve their professional knowledge and skills, so that their performance will better serve others
- Demonstrate concern for the interests and well-being of individuals affected by their actions
- Value the privacy, freedom of choice and interests of all those affected by their actions
- Foster cultural diversity and pluralistic values and treat all people with dignity and respect
- Affirm, through personal giving, a commitment to philanthropy and its role in society
- Adhere to the spirit as well as the letter of all applicable laws and regulations
- Advocate within their organizations adherence to all applicable laws and regulations
- Avoid even the appearance of any criminal offense or professional misconduct
- Bring credit to the fundraising profession by their public demeanor
- Encourage colleagues to embrace and practice these ethical principles and standards
- Be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy

## **ETHICAL STANDARDS**

Furthermore, while striving to act according to the above values, AFP members, both individual and business, agree to abide (and to ensure, to the best of their ability, that all members of their staff abide) by the AFP standards. Violation of the standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

### **MEMBER OBLIGATIONS**

1. Members shall not engage in activities that harm the members' organizations, clients or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients or nonprofit organizations.
8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during and after any sale of materials and/or services.

9. Members will comply with all fair and reasonable obligations created by the contract. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

#### **SOLICITATION AND USE OF PHILANTHROPIC FUNDS**

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.
13. Members shall take care to ensure that donors receive informed, accurate and ethical advice about the value and tax implications of contributions.
14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

#### **PRESENTATION OF INFORMATION**

17. Members shall not disclose privileged or confidential information to unauthorized parties.
18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.
19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to or exchanged with other organizations.
20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)\* for the type of organization involved. (\* In countries outside of the United States, comparable authority should be utilized.)

#### **COMPENSATION AND CONTRACTS**

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).
22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.
23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.
24. Members shall not pay finder's fees, commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.
25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

# A Donor Bill of Rights

*PHILANTHROPY* is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the non-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

## I.

*To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.*

## II.

*To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities*

## III.

*To have access to the organization's most recent financial statements.*

## IV.

*To be assured their gifts will be used for the purposes for which they were given.*

## V.

*To receive appropriate acknowledgement and recognition.*

## VI.

*To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.*

## VII.

*To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.*

## VIII.

*To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.*

## IX.

*To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.*

## X.

*To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.*

### **DEVELOPED BY:**

Association of Fundraising Professionals (AFP)  
Association for Healthcare Philanthropy (AHP)  
Council for Advancement and Support of Education (CASE)  
Giving Institute: Leading Consultants to Non-Profits

### **ORIGINALLY ENDORSED BY:**

Independent Sector  
National Catholic Development Conference (NCDC)  
National Committee on Planned Giving (NCPG)  
Council for Resource Development (CRD)  
United Way of America

*Adopted in 1993*

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