

Charity Law Information Program

FUNDRAISING FUNDAMENTALS SERIES

Working with Third Party Fundraisers

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WORKING WITH THIRD PARTY FUNDRAISERS

What is a Third Party Fundraiser?

It's interesting that when I Google third party fundraising it becomes a bit of a scavenger hunt. Although I am familiar with the term, a quick glance through the indexes of 28 fundraising books in my library only came up with one mention! Nowhere did I find a clear explanation of the breadth and depth of the term including all its permutations. I created this explanation by enhancing one I found in a policy document for a library's fundraising committee:

Third party fundraising involves independent projects undertaken by an individual, affiliated group or organization, for the purpose of raising funds for, or on behalf of, a chosen charity.

What I did not include in this description is the nature or motivation of those who are actually doing the work. These "fundraisers" can range from well-meaning and generous volunteers to professional and ethical practitioners. However, the definition also includes profit-driven companies that have recently received negative attention in the press, thus prejudicing many people's understanding. The following three examples may help clarify third party fundraising further:

1. Volunteer-driven initiatives that take on a variety of forms (e.g. a golf tournament, sponsoring a friend in a *thing*-a-thon, hosting a meal, running a bake or rummage sale). Basically, a concerned individual or group does the work for your charity, collects the money and passes the earnings freely to your organization.
2. Another popular form of third party fundraising occurs when a charity retains the services of a reputable firm or consultant to oversee a particular campaign. Many of these fundraisers are members of the Association of Fundraising Professionals (<http://www.afpnet.org>) and abide by a strict ethical code of conduct (<http://www.afpnet.org/files/ContentDocuments/CodeofEthics.pdf>) and honour the Donor Bill of Rights. (http://www.afpnet.org/files/ContentDocuments/Donor_Bill_of_Rights.pdf)
3. The most controversial third party fundraiser (and often the most seductive to under-resourced and naïve charities) is the company that promises to raise those desperately-needed funds with no money down, no upfront financial commitment. Whether it's telemarketing, door-to-door solicitation or running a special event on

behalf of your charity ... there have been enough improprieties to say “buyer beware!”

At the end of the day the costs can be very high. If you're lucky the only damage is insignificant profits after all the expenses have been paid (to them). What's worse is when the charity actually loses money despite its well-meaning and resource-consuming efforts. The highest cost is the long-term damage to the charitable sector's reputation when media features fundraising scandals as front page news, while failing to tell the public these instances are far more the exception than the rule.

Risk Management for Third Party Fundraising

The first two forms described above are generally considered effective and ethical fundraising methods. Regardless of which approach is taken, there are financial ramifications that the board of directors should always heed, particularly in light of CRA's Guidance and especially what is considered prohibited fundraising (<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-ddn-eng.html>).

A third party fundraiser implies arm's length but it should never mean surrendering control. It is a governance duty to safeguard and grow the organization's assets. Regardless of whether individual board members have a personal disdain for fundraising or not, they can't forego their responsibility to ensure the fiscal health of the charity and protect its reputation.

The following points should be discussed by the board of directors and included in organizational policies and procedures in order to capitalize on the benefits of third party fundraising initiatives. When negotiating a third party venture an agreement should be drawn up and signed by the charity and contractor, outlining expected behaviour and outcomes.

- Expectations for evaluation:
 - Define measurable goals expected from third party fundraising initiative
 - Clarify understandings including exclusivity as the beneficiary or whether funds are being shared and with whom, what would constitute cause for cancellation and other possible scenarios outlined below
 - Monitor progress against goals at reasonable intervals and decide at each point whether to proceed as planned
 - Identify how external requests or complaints will be handled
 - Conduct post-event (or campaign) evaluation and provide recommendations to the board of directors for future ventures

- Reasonable costs:

- CRA views the use of volunteers positively when examining fundraising costs because their help can reduce expenditures - this strategy should be your first line of defence when recruiting helpers
 - Provide a written budget as an attachment in your agreement that limits profit to the third party if an event is particularly successful
 - Clarify any financial risks involved and define who is responsible if they occur
 - Get at least two quotes for services from paid third party providers and don't spend more than fair market value for the work required – be especially aware of disproportionate or excessive benefit to the fundraiser
- Adequate controls are exercised:
 - Protect your charity's trademark and reputation first
 - Never loan, sell or transfer your charitable registration number to any group that promises to raise money on your behalf
 - Define the duration of your mutual agreement
 - Don't allow a transfer of third party responsibilities outside agreed-upon contractors (or volunteers)
 - Review all materials containing your charity's logo and approve before printing
 - Ensure the third party acts within your charity's policies and procedures
 - Avoid any prohibited conduct articulated within the values of your charity or other regulatory bodies, including deceptive fundraising representations
 - Check insurance and liability
 - What are the risks?
 - Who is covering what, where and for how much?
 - Clarify when funds will be received and state the deadline in your agreement
 - If tax receipts are to be issued ensure compliance within CRA's guidelines (<http://www.cra-arc.gc.ca/E/pub/tp/it110r3/it110r3-e.html>)
 - Obey any and all relevant municipal, provincial and federal regulations
 - Obtain necessary event permits
 - Ensure the third party avoids prohibited fundraising conduct (see Item #7 of CRA's Additional information on Guidance CPS-028 - <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-028-ddn-eng.html>)
 - Be cautious of commission-based fundraising agreements
 - Donor stewardship:
 - Review prospect lists
 - Collect contact information of donors and/or ticket buyers
 - Report back to donors/ticket buyers on success of the venture

- Provide recognition while respecting privacy – this may require an “opt out” clause on any reply form
- Cultivate ongoing relationships
- Marketing and publicity:
 - Identify who owns the rights to photographs
 - Get necessary release forms signed
 - Review all press releases

Although the above list looks exhaustive (if not exhausting) I’ve probably still left something out! It’s unfortunate that a charity has to cover its assets so fully but it’s better to be safe than sorry. **Ideally, the board of directors is involved in the decision-making. With the help of the chief executive and/or a fundraiser, together they can create an application and agreement that covers these important points.** I’ve provided some helpful links below including samples for you to customize the necessary documentation to your charity’s culture.

Remember, if it seems too good to be true, it probably is. Fundraising is hard work and also incredibly fulfilling for those involved in its triumphs. When a third party offers to raise funds on your charity’s behalf, help them succeed by communicating your expectations clearly and supporting their efforts. This partnership can be an ongoing affair if both partners feel their mutual goals were met.

Helpful Links

Canada Revenue Agency’s Policy Commentary on Third Party Fundraisers:

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-026-eng.html>

Charity Law Information Program (CLIP) archived presentations and podcasts:

<http://www.capacitybuilders.ca/clip/clip-resources.php>

Charity Central Third Party Fundraising Podcast (transcript):

<http://www.charitycentral.ca/docs/podcast3.pdf>

Pueblito Canada Third Party Fundraising Event Guide:

<http://www.pueblito.org/thirdPartyEventPkg.pdf>

Autism Canada Third Party Fundraiser Procedures and Guide:

<http://www.autismcanada.org/pdfs/Third-Party Fundraisers.pdf>

Third Party Event Policies and Guidelines: [http://www.y-](http://www.y-me.org/events/thirdparty/policies.php)

[me.org/events/thirdparty/policies.php](http://www.y-me.org/events/thirdparty/policies.php)

Third Party Fundraising: Boon or Bust?:

<http://www.charityvillage.com/cv/archive/acov/acov10/acov1037.asp>

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