
TO:	GENERAL COMMITTEE
SUBJECT:	DONATION POLICY
WARD:	ALL
PREPARED BY AND KEY CONTACT:	C. SMITH, SENIOR MANAGER OF ACCOUNTING AND REVENUE (EXT. 5128)
SUBMITTED BY:	C. MILLAR, DIRECTOR OF FINANCE AND TREASURER
GENERAL MANAGER APPROVAL:	D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
CHIEF ADMINISTRATIVE OFFICER APPROVAL:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That the Donation Policy attached as Appendix "A" to Staff Report FIN014-18, applying to all City Departments, be adopted.
2. That, in accordance with the Donation Policy, delegated authority be provided to the Director of Finance, and/or designate (Deputy Treasurer), to approve Charitable Donation receipt requests.

PURPOSE & BACKGROUND

Report Overview

3. The purpose of this staff report is to seek Council's endorsement of the Donation Policy, included as Appendix 'A' of this report. This Policy establishes the eligibility, requirements, limitations, and approval processes for issuing a charitable donation receipt to a donor. The City does not currently have a formal Donation Policy.
4. The City occasionally receives gifts of cash or non-cash items to support its various projects, programs, or services, and is accountable for the responsible administration of the issuance of charitable donation receipts.

ANALYSIS

5. The purpose of a Donation Policy is to provide guidance for the acceptance of donations and the requirements for issuing donation receipts for income tax purposes.
6. As a registered municipality with the Canada Revenue Agency, the City has the ability to issue donation receipts for income tax purposes, and must follow the legislation in the *Income Tax Act* in order to maintain its registered status as a qualified donee.
7. A Donation Policy would assist the City in determining:
 - a) The types of gifts and conditions surrounding those gifts, that make them eligible for a donation receipt;
 - b) Additional information that is required in order to process a donation receipt;

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- c) Appropriate steps to be taken in the event that a donation results in an advantage to the donor;
 - d) Requirements with respect to the donation of cultural property; and,
 - e) When funds received by the City would not qualify for a charitable donation receipt.
8. The CRA specifies that donations of cash, goods, land, or listed securities are typically considered to be eligible gifts. Any donation must be made on a voluntary basis.
9. Transactions that generally do not qualify as gifts under CRA rules include intangible gifts such as services, time and effort, gift certificates, non-cash gifts for which the fair market value cannot be determined or where the gift gives the donor an advantage whose fair market value is greater than 80% of the value of the gift, gifts provided in exchange for advertising or sponsorship and pledges which have not yet been fulfilled.

ENVIRONMENTAL MATTERS

10. There are no environmental matters related to the recommendations.

ALTERNATIVES

11. The following alternative is available for consideration by General Committee:

Alternative #1

General Committee could choose not to adopt the Donation Policy, and analyse future gifts on a case by case basis.

This alternative is not recommended. Providing guidelines for the valuation of gifts and issuance of charitable donation receipts, assists the City in maintaining its registered status as a qualified donee and/or avoiding monetary penalties by ensuring that legislation is followed.

FINANCIAL

12. There are no direct financial implications for the Corporation resulting from the proposed recommendations.

LINKAGE TO 2014-2018 STRATEGIC PLAN

13. The recommendations included in this Staff Report are not specifically related to the goals contained in 2014-2018 Strategic Plan:

APPENDIX 'A'

Donation Policy



Section: A09-Policies & Procedures
Sub-section: FINANCE
Policy #: FIN-018-102

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POLICY STATEMENT

The City of Barrie ("the City") can issue donation receipts for income tax purposes as it is a registered municipality with the Canada Revenue Agency ("CRA"). The City is accountable for the responsible administration of the issuance of charitable donation receipts, and must follow the legislation in the *Income Tax Act* in order to maintain its registered status as a qualified donee. Monetary penalties can also result in the event of non-compliance.

PURPOSE/APPLICATION

This Policy provides guidance related to the process and requirements of receiving cash and in-kind donations, which are intended to support projects, programs, or services which are offered by the City, including the following:

- a) Providing guidelines for the acceptance of donations;
- b) Establishing the requirements for issuing donation receipts for income tax purposes; and,
- c) Describing the roles involved in the donation process.

DEFINITIONS

For the purpose of this Policy, the following terms shall have the meaning as ascribed to them:

- a) **Charitable donation** – A charitable donation is a voluntary transfer of cash or non-cash items to the City, without receiving anything significant in exchange. Sponsorships or naming rights are not considered charitable donations.
- b) **Advantage (benefit)** – If a person or a company receives any goods, services, or any other benefits when giving a donation, it is considered an advantage or benefit. Advantages are measured at fair market value (see definition below).
- c) **Fair Market Value ("FMV")** – This is generally defined as the most that someone would be willing to pay for a good, service, or right in the open market.
- d) **Donations In-kind** – Donations in-kind are non-cash donations. Donations in-kind are valued at fair market value, and may require external appraisal or valuation. Donations in-kind include investments and financial securities.
- e) **Qualified Donee** - Under the *Income Tax Act*, qualified donees are organizations that can issue official donation receipts for gifts they receive from individuals and corporations. As a registered Canadian municipality, the City of Barrie is a qualified donee.

SPECIFIC POLICY REQUIREMENTS

Eligibility requirements

Charitable donations to the City must, at a minimum, meet the following requirements:

APPENDIX 'A' (Continued)



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- gifts of cash or non-cash items to the City must be voluntary, and receipts will not be issued before the donation has been received and its value confirmed;
- in-kind donations are for donations of property and exclude intangible donations (such as services, time, and effort).

All donations

In order to process a donation receipt in accordance with legislated requirements, additional information must be requested by the department receiving the donation, at the time that the donation is received, as described below:

- a) the date the donation was received;
- b) the full name (including middle initial) and address of the donor;
- c) the amount or value of the donation;
- d) the amount and description of any goods or services received by the donor in exchange (see Donations with an Advantage); and,
- e) any restrictions or direction on the use of the donation (note: this may preclude the donation from being eligible for a donation receipt).

Various types of charitable donations may be accepted by the City of Barrie, but have different requirements. The following sections describe the processes and requirements for each type of donation the City may receive:

Cash donations

Cash donations may be received by any department, including Service Barrie. All required information must be captured by the receiving department and sent to the Finance Department for processing.

Donations in-kind

Donations in-kind must be approved by the Finance Department before they are received to evaluate the potential for issuing a charitable donation receipt. Non-cash donations will be valued at estimated fair market value. For donations with estimated fair market value of over \$1,000, external appraisals or valuations must be made. Where a public market does not exist to establish the fair market value of a donation in-kind (e.g. publically traded securities), a donor may be asked to cover the costs of an appraisal. A charitable donation receipt will only be issued if the fair market value can be estimated.

Per Ontario Regulation 438/97, paragraph 10 of section 2 and subparagraph (11) of section 3, a municipality may accept a security as a donation if the municipality makes a plan to sell the security and does so within that timeline. However, the City reserves the right to approve or deny donations in-kind within these limitations.

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Donations with Advantage (benefits received in exchange)

If a donor receives an advantage from a donation, the City can only provide a charitable receipt for the fair market value of the gift, less the fair market value of any benefit to that person or company. The fair market value of the advantage may be difficult to determine, therefore it is recommended the Senior Manager, Accounting and Revenue, be engaged in the process before any commitments have been made. A charitable donation receipt will only be issued if the amount of the advantage can be estimated. Per CRA regulations, a charitable donation receipt cannot be issued where the fair market value of the amount of the advantage is greater than 80% of the fair market value of the gift.

Donations of Cultural Property

Cultural property are items that are deemed by the Canadian Cultural Property Export Review Board to have "outstanding significance and national importance" to Canada. Criteria in determining the "significance and importance" can include the items close association with Canadian history or national life and/or its aesthetic qualities and/or its value in the study of the arts or sciences. The donation of cultural property must be certified as such by the Canadian Cultural Property Export Review Board. Before committing donation receipts for cultural property, consult with the Senior Manager, Accounting and Revenue.

LIMITATIONS

The City Treasurer and/or designate (Deputy Treasurer), are responsible for issuing charitable donation receipts. No charitable donation receipts will be issued where excluded under the *Income Tax Act* or where not approved by the Treasurer. All donation receipts to be issued by the City will be authorized by two signatures, City Treasurer and/or designate (Deputy Treasurer).

The Treasurer is not authorized to issue charitable donation receipts in relation to but not limited to the following:

- a) donations in-kind which are difficult to value, or which do not convey a clear benefit to the City of Barrie;
- b) sponsorships in return for commercial benefit (e.g. naming rights, logo placements, advertising, or presenting sponsorships);
- c) intangible donations such as services, time, and effort;
- d) donations intended as a flow through to a specified recipient who does not have charitable status;
- e) donations of less than \$20 will not receive a charitable donation receipt;
- f) charitable donation receipts made out in a name different than the donor without sufficient supporting evidence; and,
- g) where there has been a pledge or promise to pay but no transfer of property.

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RESPONSIBILITIES

City staff are responsible for:

- adhering to the parameters of this policy,
- collecting the appropriate information when donations are received and providing it to the Finance Department for processing; and,
- contacting the Finance Department in advance if one of the following is expected to be received in order to evaluate the potential for issuing charitable donation receipts:
 - donation in-kind/non-cash donation (including securities/investments)
 - donation with an advantage (benefit to the donor)
 - donation of cultural property

The Treasurer and/or designate (Deputy Treasurer) is responsible for issuing charitable receipts and enforcing compliance with this policy.

Finance staff will report to Finance and Corporate Services Committee on an annual basis with respect to the donation receipts issued during the year.

REFERENCES AND RELATED POLICIES

Public Art Policy (12-G-252)

Sponsorship Policy (17-G-088)

Income Tax Act (1985)

Municipal Act, 2001

DEPARTMENT CONTACTS

Finance Department

Craig Millar, Director of Finance and Treasurer x5130

Colleen Smith, Senior Manager, Accounting and Revenue x5128

Wendy Oickle, Supervisor of Accounts Payable/Receivable x4345

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Appendix 'A'

Donation Procedures

Donations may be made via mail or in person at City facilities. The following procedures apply to all gifts for which a charitable donation receipt is requested:

1. Receipts of funds should follow appropriate cash handling procedures, and should be safeguarded prior to deposit.
2. All payments in the form of a cheque must be made payable to the City of Barrie.
3. Staff receiving the donation must ensure they obtain all relevant information including:
 - a) The date the donation was received;
 - b) The full name (including middle initial) and address of the donor;
 - c) The amount of the donation;
 - d) The amount and description of any goods or services received by the donor in exchange for the donation;
 - e) Any restriction or direction on the use of the donation.
4. The Finance Department must be contacted in advance in case of a donation in kind, donation with an advantage to the donor, or donation of cultural property, in order to evaluate the potential for issuing charitable donation receipts.
5. Requests for charitable donation receipts must be forwarded to the Finance Department. Supporting documentation including a copy of the cheque where applicable, the general ledger account to which the payment has been posted, and the name of the project, program or service to which the donation applies, must be provided. The name of the City contact should also be supplied where available, in case of any questions.
6. Donation receipts will be signed by the Treasurer and/or designate (Deputy Treasurer).
7. Donation receipts will not be issued for gifts of less than \$20.
8. Donation receipts will not be issued until at least ten (10) days have passed since the receipt of any cheques to ensure that the payment has cleared the bank.
9. Where applicable, it should be indicated whether the donation receipt is to be mailed to the donor or held for pick up by City staff or the donor.
10. Donation receipts may be re-issued in the event the original receipt was misplaced. Duplicate receipts will clearly be marked as such.
11. Finance will issue only numbered donation receipts and will track the number continuity.



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12. Finance will ensure duplicate copies of donation receipts containing information required by the *Income Tax Act* and supporting documentation are kept in accordance with the City's Records Retention By-law. Records will be sufficient to support the City's registered status as a qualified donee.