

Donations Policy

Policy Statement

1. The Town may accept donations and issue "official income tax receipts" as prescribed by the Canada Revenue Agency.
2. It is necessary to establish a policy for handling donations to ensure that the Town appropriately account for the donation and adheres to the guidelines as set out in the Canadian Income Tax Act.
3. The purpose of this policy is to provide a corporate policy for receiving donations and issuing income tax receipts. This policy applies where an income tax receipt is requested for donations. This policy will clarify when and how receipts for income tax purposes will be issued.

Scope

4. This policy applies to all Town departments, boards, committees and other organizations falling within the financial reporting requirements of the Town of Parry Sound except for the Parry Sound Public Library Board. As the Parry Sound Public Library Board is a registered charity it has the right to issue its own income tax receipts.
5. All donations will be in keeping with the Town of Parry Sound's strategic goals and will not in any way negatively impact the Town's public image.
6. The Town of Parry Sound reserves the right to reject any gift or donation in whole or in part.

Definitions

7. The following definitions shall apply within this policy:



Donations Policy

- a) Asset - in this policy means a capital asset as defined in the Town's Tangible Capital Asset Policy;
- b) Council - means the Council for the Corporation of the Town of Parry Sound;
- c) Director - means a person holding a management position of Director within a department and includes the Chief Administrative Officer, Director of Finance and POA Court Services, Director of Public Works, Director of Development and Leisure Services and Director of Emergency Services;
- d) Donation - means a financial contribution, cash, property or items such as art, furniture, equipment, materials of historical interest;
- e) Donor - means a person or organization that provides a donation to the Corporation of the Town of Parry Sound;
- f) Fair Market Value - is the price an item would bring on an open and free market between a willing buyer and willing seller who are operating independently of each other;
- g) Gift - see donation, these terms are interchangeable;
- h) Gift-in-kind - is a non-monetary donation;
- i) An Official Town Event - is an event approved by Council and supported by a Committee of Council or designated Councillor, or a Municipal Service Board, where the proceeds will be directed to an existing or future Town asset and the Town controls the event's spending. The report to Council must include:
 - o A request for the event to be classified as an "Official Town Event";
 - o A detailed budget;
 - o The Town asset benefiting from the event;
 - o Identification and approval of the Committee of Council or appointment of the Councillor designate on the committee or MSB supporting or organizing the event.
- j) Relative - is defined as a parent, sibling, child, grandparent, uncle, aunt and parent-in-law;
- k) Town - The Corporation of the Town of Parry Sound;



Donations Policy

- l) Treasurer - means the Council appointed Treasurer of the Corporation of the Town of Parry Sound.

General Rules

8. No individual or organization shall solicit funds in the name of or on behalf of the Town without the approval of the CAO or Council unless they are doing so on behalf of an "Official Town Event"
9. The Canada Revenue Agency (CRA) defines a donation / gift as "a voluntary transfer of property owned by a donor to a donee, in return for which no benefit accrues to the donor".
10. To have a valid donation / gift, there must be an intention to give, a delivery and an acceptance. Because there must be an acceptance by the donee, a donation is not completed until it is accepted.
11. The transfer is made without the expectation of return.
12. No benefit of any kind may be provided to the donor or anyone designated by the donor, except where the benefit is of nominal value. The benefit is considered "nominal value" where its fair market value does not exceed the lesser of \$50 or 10% of the amount of donation.

Qualifying Donations

13. Donations that qualify for an official tax receipt generally include:
 - a) Cash;
 - b) Capital, real or depreciable property;
 - c) Personal-use property, works of art, jewellery, rare books, stamps or coins;
 - d) A leasehold interest or a residual interest in real property;
 - e) Donations of life insurance properties; and
 - f) Donations made under a will.



Donations Policy

14. There are special rules for donations of cultural property and donations of ecologically sensitive lands where the donor wishes to claim the donation as either certified cultural property or certified ecologically sensitive lands.

Non-Qualifying Donations

15. The following are items that are not considered to be qualifying donations:

- a) Contributions of skills or time or donations of a service through volunteer service.
- b) The payment of a basic fee for admission to an event or to a program does not qualify as a donation that is eligible for the issuance of a tax receipt. An exception to this rule is for the purchase of a ticket to a fund raising dinner, ball, concert, golf tournament or like event. In this case, the donation is valued as the difference between the fair market value of the food, entertainment, prizes and the purchase price of the ticket. As per CRA guidelines, the Town will not issue a tax receipt if the total value of the food, entertainment, and prizes exceeds 80% of the purchase price of the ticket.
- c) When a donor requests that the donee pay for a portion of the donation no tax receipt will be issued.
- d) When the donor has directed the funds to a specific person or family, no tax receipt will be issued.
- e) Donations that have a direct benefit to the donor or any relative of the donor will not receive a tax receipt.
- f) Donations made in exchange for consideration of a right, privilege, material benefit or advantage such as promotions or advertising for the donor's purpose do not qualify for income tax credits under the ITA and no receipts can be issued.
- g) The CRA regulations on donations where the donor's company name, logo, slogan or address/phone number is listed in promotional material would not qualify.



Issuance of Receipts

16. Upon the confirmation that the donation is in compliance with this policy the Treasurer shall issue an "official tax receipt for income tax purposes" and will include all the information specified in Regulation 3501 of the Income Tax Act.
17. All requests for tax receipts must be accompanied by appropriate donor and donation information.
18. Income tax receipts shall be issued for donations of \$25.00 or more, unless specifically requested by the donor and approved by the Treasurer.
19. The date of the donation is the date the donation is received or the title to the asset transferred. Donations received after December 31st may not be included in the prior years donations unless the donation was post marked in the previous year.
20. CRA ultimately determines the value of the donation which is permitted for tax deduction.

Accounting for Donations of Money:

21. For cash donations, the receipt must be made out to the person delivering the donation. All cash donations shall be received by the Receptionist / Cashier at the Town's Municipal office.
22. All cheque donations will be required to have been cleared by the Town's financial institution prior to the issuance of a tax receipt. The receipt will be made out to the same name and address appearing on the cheque or form of payment.
23. Cheques, money orders and bank drafts should be made out to "The Town of Parry Sound". No third party cheques will be accepted.

Accounting for Donations of Gifts-In-Kind

24. The Town of Parry Sound will only issue official tax receipts for Gift-in-Kind donations where the donation provides a clear benefit to the Town of Parry Sound.
25. The value placed on Gift-in-Kind items will be determined by the item's Fair Market Value.



Donations Policy

26. Valuation of Fair Market Value should be based on an arm's length sale and purchase of similar property at or near the same date. A minimum of one appraisal is required to be completed by a qualified dealer, appraiser or other knowledgeable individual who is familiar with the market for the object or property, whenever possible Art appraisers are to be members of the Art Dealers Association of Canada (ADAC). The dealer, appraiser or other knowledgeable individual must be independent of the donor. A second appraiser may be required at the discretion of the Treasurer.
27. If the item is valued at \$1,000 or less, a Town employee qualified to make the appraisal for such items may complete an appraisal of the item.
28. If the item is valued at more than \$1,000 outside appraisals are required, unless there is a ready market for the item from which a Fair Market Value can be ascertained. The average of these appraisals shall be used to determine the Fair Market Value of the item.
29. The receipt shall be in the amount of the average appraised value. The receipt shall also indicate a description of the object and the name and address of the appraiser(s), and shall be dated the day on which the Town received the Donation. If two appraisals are used and they significantly differ in appraised values, a third appraisal may be requested in an effort to clarify the true value.

Accounting for Donations of Cultural Property

30. 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.
31. The donation of cultural property must be certified as such by the Canadian Cultural Property Export Review Board.



Donations Policy

32. The receiving department shall be responsible for making the application to the Canadian Cultural Property Export Review Board for "Certification of Cultural Property for Income Tax Purposes."
33. Income tax receipts will be issued by the Canadian Cultural Property Export Review Board and Fair Market Value is determined by the Board on the date ownership is transferred to the Town.

Accounting for Donations of Ecologically Sensitive Property

34. An ecological gift must be land (including a servitude for the use and benefit of a dominant land, a covenant or an easement) that is certified by the Minister of the Environment, or a person designated by the Minister, to be ecologically sensitive land the conservation and protection of which is, in the opinion of the Minister, or that person, important to the preservation of Canada's environmental heritage.
35. The categories of land that qualify as being ecologically sensitive vary from province to province. In Ontario these may include:
- a) Provincially Significant Wetlands (PSWs);
 - b) Areas of Natural and Scientific Interest (ANSIs);
 - c) Areas identified in the Town's Official Plan as an Environmentally Significant Area (ESA) and other components of the Natural Heritage System such as significant stream corridors and significant woodlands;
 - d) Significant portions of the habitat of endangered, threatened or vulnerable species in Ontario; and
 - e) Areas managed for wildlife habitat conservation purposes that qualify under the Managed Forest Tax Reduction Program.
36. The value of donated lands is based on the fair market value of the land, as determined by a qualified land appraiser using recognized valuation techniques. For conservation easements, restrictive covenants and servitudes, the value of the land is deemed to be the greater of its fair market value otherwise determined and the



Donations Policy

amount by which the fair market value of the land is reduced as a result of the making of the gift.

37. A tax receipt for the fair market value is issued and will be attached to a completed Certificate for Donation of Ecologically Sensitive Land and submitted to the CRA.

Accounting for Donations For Specific Purposes

38. Donations and requests for donations that are made for specific purposes will require Council approval. These requests may originate from individuals, organizations or Council directly. Long-term programs, where cash inflows and expenditures may span many years are best handled through the establishment of a Reserve Fund. These would include situations where donations are received for specific capital projects, such as recreational facilities.
39. Requests to direct donations to a specific operation of for specific capital projects, such as to a community or cultural centre, which are generally short-term in nature are best handled by recording the revenue directly to the appropriate revenue account.

Accounting for Donations to Support Organization

Independent of the Town

40. Organizations that offer programs of genuine benefit to the community may request that the Town receive donations on their behalf for the purpose of issuing income tax receipts. Under the ITA, the Town cannot issue income tax receipts for funds that it will not itself be responsible for spending. Such organizations should receive their donations directly, and register as a Charity with CRA if they wish to provide income tax receipts.
41. The Town may however accept these types of donations with the understanding that no official tax receipt will be issued.



Acceptance

42. The Treasurer, Director of Finance and POA Court Services, is the final level of acceptance for all donations requiring tax receipts for the Town of Parry Sound.
43. The Treasurer may grant approval for official tax receipts for money donations made through a Council approved fund raising effort.

Associated Costs

44. Unless otherwise agreed upon by the Town, the donor will be responsible for any of the following costs (where applicable):
- a) Transporting the item;
 - b) Appraisal or evaluation by a certified agency;
 - c) Photographs for inventory and insurance purposes; and
 - d) Conservation treatment, if required.
45. Where the Town agrees to incur any of the above costs, these costs will be expenses to the receiving Department.

Financial Implications

46. Financial implications of accepting a donation should be a consideration in the assessment of the donation acceptance. Some of the financial costs to consider are:
- a) Cost of project implementation;
 - b) Installation of the work;
 - c) Restoration;
 - d) Ongoing maintenance; and
 - e) Taxes payable to CRA by the Town of
 - o 30% of the FMV if the cultural property is disposed of within 10 years; or
 - o 50% of the FMV if ecological property is disposed of or changes its use.

Control of Receipts

47. All used and unused receipts will be securely stored in the Finance Department until needed.
48. All used receipts will be retained for the period required by law in adherence to section 5800 of the Income Tax Regulations or any successor legislation or regulation.

Other Legislation

49. Where there is a conflict between this policy and legislation from a senior level of government (eg. The CRA), the more restrictive legislation shall apply.

Policy Review

50. This policy shall be reviewed when there is a significant change in the Canadian Income Tax Act or regulations to that Act.