

**CITY OF GREATER SUDBURY
POLICIES AND PROCEDURES**

DEPARTMENT:

Finance

SECTION:

Accounting

TITLE:

Donation Policy and Procedures

APPROVED BY:

Executive Director, Finance, Assets and Fleet

DATE:

November 26, 2012, October 21, 2015,
February 21, 2018

1.0 PURPOSE

The purpose of this policy is to establish the responsibilities, internal controls and procedures for the accurate and timely issuance of official tax receipts for income tax purposes. This policy does not supersede Federal and Provincial laws.

The City of Greater Sudbury (CGS) receives donations that advance the programs, projects and services of the City and may be eligible for an official tax receipt for income tax purposes. These donations are an important source of revenue that enables CGS to realize important projects and enhance civic life.

1.1 Charitable Status of CGS

1.1.1 CGS is not a charity and it does not have a charitable number. Instead, the Income Tax Act legislates that gifts, meeting specified criteria, to Canadian municipalities are considered charitable donations and give rise to either a tax deduction or credit for income tax purposes. To facilitate the claim of the deduction or tax credit, the City issues an “official tax receipt for income tax purposes” (official tax receipt).

1.1.2 When completing application forms that ask for a charitable number the number to be used is the City’s HST number. Contact Finance - Accounting to obtain this number.

1.2 What Donations Qualify as a Charitable Donation?

1.2.1 Qualified donations may be cash or a gift-in-kind for the City’s purposes. These must be made voluntarily and freely at the donor’s discretion.

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- 1.2.2 Cheques should be made payable to the City of Greater Sudbury and gifts-in-kind donated to CGS.
- 1.2.3 Generally there will be no benefit or consideration other than token recognition (a plaque) attached to the donation. There must be a physical transfer of donated property. Examples of property include cash, real property such as land and buildings, wheel chairs, lumber, gravel, etc.
- 1.2.4 In certain situations, a donor may receive an advantage or consideration for the donation. In this instance, if the advantage/consideration does not exceed 80% of the fair market value of the donation, then the eligible donation becomes the fair market value of the donation less the fair market value of the advantage/consideration.
- 1.2.5 The City will issue official tax receipts for qualified donations in excess of \$10 if requested by the donor.

1.3 Consequences of Improper Receipting

The City could be subject to varying sanctions such as penalties, suspension of its right to issue official income tax receipts in instances where incorrect or incomplete information is provided on the receipt, deliberately false information is provided or the issue of receipts contravenes the receipting requirements of the Income Tax Act.

1.4 What Donations Do Not Qualify as a Charitable Donation?

- 1.4.1 Donations made in exchange for consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the donor's purposes.
- 1.4.2 Contribution of services (time, skills, effort). For example: consulting, landscaping, labour.
- 1.4.3 Donation of consumables such as hot dogs, drinks etc.
- 1.4.4 Loan of equipment such as backhoes, bulldozers, barbeques, stage and sound equipment.
- 1.4.5 If the provider of the items listed in 1.4.1 to 1.4.4 invoices the City, is paid by the City and then chooses to voluntarily gift the money back, the cash donation qualifies as a charitable donation. In these circumstances there must be an exchange of cheques between the service provider and the City.

2.0 POLICY

This policy applies to all Employees who are responsible for receiving donations and issuing official tax receipts to donors.

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This policy and procedures applies to the following related local boards, within the meaning of the Municipal Act, 2001, that are reported as part of the City's consolidated financial statements, and are therefore considered to be part of the City for the purposes of issuing income tax receipts:

- Greater Sudbury Police Services Board
- Greater Sudbury Library Board

2.1 CGS has the right to accept or refuse any proposed donation. CGS will only receive donations that are directed to specific Council approved projects, programs or other purposes. If a donation is acceptable to the City, it will be used for the purposes specified by the donor. In the unlikely event that a project should not proceed or surplus funds have been raised for a specific project, the City will apply any unused donations to other Council approved projects, programs or other purposes that most closely align with the intent of the specified project for which the funds were raised. In the case of conditional donations refer to section 4.2 for the treatment of the donations.

2.2 There may be occasions where a proposed donation is not for a CGS Council approved project, program or other purpose and would therefore not be accepted. There may also be good business reasons for not accepting a donation and the donation should be refused.

2.3 Organizations that are Indirect to CGS

The following organizations are indirect to CGS and therefore the City cannot issue donation receipts for gifts to these organizations:

- Community Action Networks
- Neighbourhood Associations
- Playground Associations
- Friends Groups

2.3.1 Where someone wishes to make a donation and the donation provides for the benefit of the City on City property (e.g. playground equipment) then the donor should be directed to make the donation directly to the City specifying how the donation is to be used.

3.0 RESPONSIBILITIES

3.1 Operating Department

The operating department is responsible for:

- Receiving the donation,
- Depositing the funds to a donation revenue account,
- Obtaining any necessary supporting documentation required to substantiate the value of the donation (if gift-in-kind),

- Providing the required information (as per section 4.1.3) to Finance for the issuance of an official tax receipt.

3.2 Finance

Finance is responsible for:

- Ensuring legislation is followed as it relates to official tax receipts for income tax purposes,
- Numerical sequencing of official tax receipts for income tax purposes,
- Templates for official tax receipts for income tax purposes,
- Providing guidance on whether donations received qualify for an income tax receipt.
- Preparing and mailing all official tax receipts directly to the donor.

The Executive Director, Finance, Assets and Fleet of the City of Greater Sudbury is authorized to issue official tax receipts. This responsibility has been delegated to the Manager of Accounting/Deputy Treasurer.

4.0 PROCEDURES

4.1 Donation received by an operating department

4.1.1 Upon receiving a donation, the operating department issues a receipt to the donor as confirmation of receipt of funds. The receipt may either be issued from an electronic system or issued from the three part receipt books which can be obtained from Finance - Accounting. Any employee accepting a donation should issue a receipt to the donor. This is NOT an official tax receipt for income tax purposes.

4.1.2 In instances of cash/cheque the funds will be deposited to the bank and a copy of the cheque will be required including proof of deposit.

4.1.3 The operating department then sends a request to Finance for an official tax receipt with the supporting documentation:

- Copy of the Receipt
- Proof of deposit,
- A photocopy of the cheque or a listing of donors which provides the necessary information to prepare the receipt as required in section 4.5 and
- For gifts-in-kind an appraisal as per section 4.3.

4.1.3 Finance prepares the official tax receipt and mails it directly to the donor. Any correspondence that the operating department wishes to accompany the official tax receipt must be provided to Finance for mailing.

4.2 Donation received via third party

The City may designate agents to fundraise on its behalf. The City may also determine that it wishes to solicit donations in the name of a specific project.

All promotional materials must make it clear that the project is a project of the City of Greater Sudbury and cheques must be made payable to the City of Greater Sudbury.

In addition, there are occasions when a third party (i.e. funeral home, not for profit, etc) will collect and remit donations to the City for City purposes.

Official tax receipts will be issued for individual donors only if and when the following have occurred:

- An amount is received by the City equal (or greater) than the amount of donations requested to be receipted from the third party, or from the donors directly
- A listing of information as required per section 4.5
- A receipt detailing donation information (if possible).

4.3 Determining the Value of Gifts-in-Kind (Non-cash)

Gifts-in-kind are non-cash gifts of property such as land and buildings, wheel chairs, lumber, gravel, etc.

In order to establish a value for an official tax receipt, the fair market value of the gift-in-kind must be determined.

Fair Market Value is normally the highest price expressed in dollars that the property would bring in an open and unrestricted market between a willing buyer and willing seller who are both knowledgeable, informed and prudent and who are acting independently of each other.

4.3.1 For gifts of property under \$1,000 a valuation prepared by a CGS employee or an individual with sufficient knowledge to determine the value of the property should be undertaken. The appraisal shall be in form and content acceptable to the Executive Director, Finance, Assets and Fleet or designate.

4.3.2 For gifts of property greater than \$1,000 a professional, independent appraisal by a third party should be obtained either by the donor or the City. The appraisal shall be in form and content acceptable to the Executive Director, Finance, Assets and Fleet or designate. Generally, donors are responsible for the cost of appraisals.

An official tax receipt will be issued in the amount of the appraised value, or in the case of two or more appraisals, the lowest appraised value.

4.4 Donation of Publically Traded Shares

4.4.1 The City will receive donations of publically traded shares that can be sold. Donations of shares are normally transferred from the donor's stock broker to the City's stock broker and these arrangements are made in advance of the actual transfer. The donation of shares may be designated for specific use.

4.4.2 The City will provide an official tax receipt for the fair market value of the shares on the day that they are transferred to the City's brokerage account. The value of the shares at the time of transfer will be provided by the City's broker.

4.4.3 The City will sell the shares immediately upon receipt and the cash proceeds will be used for the purpose designated by the donor.

4.5 Issuing official tax receipt for donation purposes

There are four templates utilized for official tax receipts that are in compliance with this policy and CRA legislation:

- Cash gift with no advantage
- Cash gift with advantage
- Non cash gift with no advantage
- Non cash gift with advantage

The Finance Secretary receives the request for an official tax receipt and utilizing one of the templates above, prepares the receipt and envelope for mailing. Two copies of the receipt, with the envelope for mailing and the supporting documentation is provided to the Manager of Accounting/Deputy Treasurer for review. The Manager of Accounting reviews for compliance, accuracy and completeness and initials and dates one copy as proof of review. The documents are returned to the Secretary for mail out (one copy) and filing (copy with review).

The Secretary updates the tracking sheet that maintains numerical sequencing. The following is information required to be included for CRA purposes:

- Mailing date
- Date received
- Kind of gift (categories are templates above)
- Donor name
- Donor address
- City, province and postal code
- Amount of official tax receipt
- Purpose of donation

4.6 Information to be provided on an official tax receipt

Official tax receipts must contain the following information:

- A statement that it is an "official receipt for income tax purposes"

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- Serial number of the receipt
- Date the receipt is issued if different from the day of the donation
- Name and address of CGS
- Location where the receipt is issued
- CGS's HST number
- Date the donation is received, including day, month and year
- Full name of the donor
- Home address of the donor (personal) or business address (corporations)
- Amount of the gift
- Description of the donation (i.e. purpose)
- Value and description of any advantage (consideration) received by the donor (if any)
- Eligible amount of the donation (value of the donation less the value of the advantage/consideration)
- Signature of the Executive Director, Finance, Assets and Fleet Name and website address of Canada Revenue Agency being www.cra-arc.gc.ca

Additional requirements for non-cash gifts (gifts-in-kind)

- Brief description of the property (i.e. street address or parcel number) or item (wheel chair and model)
- Name and address of appraiser (if appraised)

4.7 Replacing a Lost Receipt

The City may replace a lost receipt and the replacement receipt must contain all the information itemized in 4.6 above plus the serial number of the lost receipt. The replacement receipt must state that it "cancels and replaces the lost receipt". The City's copy of the lost receipt is kept and clearly marked "cancelled".

4.8 Accounting for Donations

All cash donations will be recorded in the books and records of CGS in the appropriate general ledger accounts.

Gifts-in-Kind that meet the reporting threshold for TCA – tangible capital assets will be recorded in the books and records of CGS in the appropriate general ledger accounts.

5.0 CONDITIONAL DONATIONS

5.1 The City may accept conditional donations (condition precedent) for specific Council approved projects, programs or other purposes. These donations must clearly define the following stipulations to be considered a conditional donation:

- a) Specify for which Council approved project, program or other purpose the funds are to be used for.

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- b) Specify timing of the project:
 - i. In the case of capital projects: Specify the date (month and year) by which the project must commence. Commencement would be determined to occur prior to the issuance of an RFP, Tender or quote request.
 - ii. In the case of programs or services: Specify the time period in which programs or services are to be provided, start and end month and year.

If the City cannot fulfil the requirements imposed by the donor, the donation should be returned to the donor and not deposited to the City's accounts. City staff can discuss and negotiate acceptable terms.

The donor must agree to the following conditions:

- a) The donation will not earn interest.
- b) The donation will not be returned to the donor until the project date/timeline has passed (see above 3.2.1 b).

If the project does not occur as described above and in the required timelines the City will refund contributions in excess of \$10. All donations less than \$10 will be applied to other Council approved projects, programs or other purposes that most closely align with the intent of the specified project for which the funds were provided to the City.

- 5.2 Conditional donations must be reviewed by the operating department to determine whether conditional donations may be accepted for specified projects, based on approved Council projects, etc.
- 5.3 Where appropriate, sunset provisions should be identified at the outset of major projects to provide guidance in the event the funding targets are not attained.
- 5.4 The donation will be received by the operating department. The donation is to be accompanied by a standard form or letter indicating the specified purpose or condition to be met for the funds to be used. An official tax receipt is not issued at this time.
- 5.5 The donation will be deposited to a trust fund bank account for the specified purpose.
- 5.6 The withdrawal from the trust fund is to be authorized by Financial Planning and Budgeting staff in conjunction with the operating department based on expenses incurred for the project.
- 5.7 Financial Planning and Budgeting staff will advise the Manager of Accounting when the conditions have been met and the donations are applied to the project so that official tax receipts can be issued at that time.