



**Policy #81**

**Charitable Donations Receipt Policy**

**Approved by Council on:** September 18, 2019

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**Charitable Donations Receipt Policy**

**Policy Statement:** The Township of Southgate will issue official donation receipts that qualify as charitable donations. If requested, the Township will issue official receipts to donors for eligible donations with a net cash value or net fair market value of \$20 or more.

**Purpose:** The policy formalizes the charitable donations receipts program, including accounting for donations of cash or in-kind made to the Township of Southgate or for flow through to its community partners.

This policy also outlines the standards for evaluating donations in accordance with Canada Revenue Agency (CRA) guidelines.

This policy will serve as the foundation for standard operating procedures for issuing official charitable donation receipts (official receipts) to donors for income tax purposes.

**Scope:** The policy applies to all departments within the Township of Southgate; to all agreements between the Township and organizations and individuals that contribute either financial or in-kind to the municipal operations, programs, services or facilities.

**Definitions:**

- a) **Charitable donations** – voluntary transfers of tangible property, including cash.
- b) **Donations in-kind** – tangible property, other than cash, that are eligible donations.
- c) **Fair Market Value (or Valuation)** – The highest dollar value that a property would bring in an open and unrestricted market, between the willing buyer and the willing seller who are acting independently of each other. The fair market value of a property does not include taxes paid; taxes are costs incurred by the purchaser.
- d) **Net Amount of Donation** – The fair market value of the donation less any advantage/benefit received or to be received as a result of the donation.
- e) **Non-Qualifying Donations** – donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.

**Policy Guidelines:**

To be eligible for an official receipt, the donation has to:

- Be made payable to the Township of Southgate, and
- Be in cash or in kind; and
- Be voluntary; and
- Be supportive of Township's mandate or beneficial to the community of the Township of Southgate;

**In-kind Donations Compliance:**

Donations in-kind may be accepted only after the following has been assessed:

- Compliance with Township by-laws and/or policies; and
- Compliance with the laws, conventions and treaties of the other levels of government; and
- Consistency with the Township's priorities, mandates and strategic and business plans; and
- Associated risks (e.g. financial risks, political risk, health and safety issues); and
- Condition of the donation; and
- Value of the donation; and
- Usefulness of the donation to the Township; and
- Cost/benefit analysis, if determined by CAO and Treasurer to be necessary, would consider installation, storage, maintenance, renewal, replacement and relevant costs.

**Valuations of In-kind Donations:**

Written valuation of donations in-kind, done within the last 6 months, shall be submitted with the requests for official receipt and is to meet the following requirements:

- \$1,000 or less:
  - appraisal by knowledgeable internal staff; and
  - valuation from online auction and shopping website.
- Over \$1,000:
  - external appraisal by an independent and arm's length competent individual is required; and
  - responsibility and the costs associated with obtaining a qualified appraisal shall be determined by the departmental director.

**Acceptance Approval:**

Authority for acceptance or denial of donations in-kind with appraised value of:

- Under \$1,000 – Department Head
- Under \$25,000 – Department Head, Treasurer and CAO
- \$25,000 and more – requires a written agreement of the value of the donation developed in advance by the Department Head with review and approval by the Treasurer & CAO.
- \$100,000 and more – Council approval

**Qualifying Donations:**

Donations that can be acknowledged with official donations for income tax purposes, in accordance with CRA guidelines:

- Donations that are made to the Township for specific municipal projects that will be owned and operated by the municipality.
- Donations that are given to the Township and intended as a flow through to a community groups/organizations or to third party service provider being contracted to deliver municipal services and programs of benefit to the Township of Southgate, where they do not have a charitable organization status.

**Non-Qualifying Donations:**

Non-Qualifying Donations that cannot be acknowledged with official donations for income tax purposes, in accordance with CRA guidelines:

- Intangibles such as services, time, skills and effort.
- Donations that are given to the Township intended as a flow through to a specified recipient who does not have charitable organization status.
- Donations of business marketing products such as supplies and merchandise.
- Sponsorship in the form of cash, goods or services toward an event, project, program or corporate asset, in return for commercial benefit (i.e. logo placement or presenting sponsorship). The intent of a sponsorship is to enhance the image and marketing opportunities of the sponsor in its target market and/or the community. Sponsorships are reciprocal arrangements benefiting both parties. Usually the cost to the sponsor is categorized as a business expense.

**References:**

Under Income Tax Act, 1985, the Corporation of the Township of Southgate is classified as a "qualified donee" for charitable donations, and as such is afforded the same privileges as a charitable organization without a registered charity number.

According to sections 110.1 (1) (a) and 118.1 (1) of the Income Tax Act, Canadian municipalities are permitted to issue receipts for charitable donations. These donations may come in the form of cash or in-kind.

<b>Roles:</b>	
<b>Accountability:</b>	Treasurer
<b>Signing Authority:</b>	Treasurer to sign official donation receipts on behalf of the Corporation of the Township of Southgate with the Deputy Treasurer as the backup.

<b>Responsibilities:</b>	<ul style="list-style-type: none"><li>• Treasurer – for maintaining the Charitable Donations Receipt Policy and related standard operating procedures, communication of policy and procedures to departmental staff, advising staff on eligibility of charitable donations and review donation accounts analysis prepared by staff.</li><li>• Finance Assistant Accounts Receivable – responsible for issuing official donation receipts in compliance with the CRA guidelines and maintain records according to the CRA requirements.</li><li>• Departmental Head staff accepting donations – responsible for compliance with the Charitable Donations Receipt Policy and any related standard operating procedures; ensuring process has been followed; in-kind donations are properly assessed, donation accounts are reconciled; and official donation receipt requests are accompanied by necessary documentation with proof of valuation.</li></ul>
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