



Charitable Donations Policy

1. Policy Statement

The Township of Southgate is committed to ensuring the receipt of charitable donations is done in a diligent, thoughtful manner, considering all legal obligations and best practices associated. The Township understands that voluntary donations provide valuable contributions which allows organizations, community groups or individuals to take an active role in improving the quality of life and promoting a wider enjoyment of community activities and resources.

2. Purpose

This policy formalizes the charitable donations receipts program, including accounting for donations of cash or in-kind made to the Township of Southgate. This policy also outlines the standards for evaluating donations in accordance with Canada Revenue Agency (CRA) guidelines and provides the criteria and structure for the creation of charitable donation agreements.

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

3. Policy Scope

The policy applies to all departments, boards and agencies falling within the financial reporting requirements 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.

4. Applicable Legislation

- a. The Income Tax Act, RSC, 1985 (ITA)
- b. Municipal Freedom of Information and Protection of Privacy Act, R.S.O 1990

5. Definitions

- a. **Charitable donations** - voluntary transfers of tangible property, including cash.
- b. **CRA** - the Canada Revenue Agency
- c. **Donation** - for the purpose of this policy, means a voluntary donation of charitable cash contribution which provides community benefit to the Township.
- d. **Donation Receipt** - an official donation receipt for income tax purposes;
- e. **Donor** - a person or organizations, community groups or individual that provides a donation to the Township;



- f. **Gift** - a donation; these terms are interchangeable. At law, a gift is a voluntary transfer of property without consideration;
- g. **Income Tax Act (ITA)** – Canadian legislation that outlines rules and regulations in relation to the collection and administration of income tax.
- h. **Net Amount of Donation** – The Fair Market Value (FMV) of the donation less any advantage/benefit received or to be received as a result of the donation.
- i. **Non-Qualifying Donations** – donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.
- j. **Qualified Donee** - a municipality registered with the CRA and can issue donation receipts and are eligible to receive gifts
- k. **Qualifying Donations** - donations that can be acknowledged with donation receipts for income tax purposes, in accordance with CRA guidelines

6. General Guidelines

- a. The Township is considered to be a “qualified donee” under the Income Tax Act of Canada (“ITA”).
- b. The Township is required to abide by the rules of the ITA in relation to the issuance of official donation receipts.
- c. No individual(s) or organizations shall solicit funds in the name of or on behalf of the Township without approval of the CAO or Council and unless they are doing so in relation to an event organized and managed by the Township of Southgate.
- d. A donation is “a voluntary transfer of property owned by a donor to a donee, in return for which no benefit accrues to the donor”.
- e. 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.
- f. The donation/transfer is made without the expectation of a return. If a donor receives an advantage as part of their donation, all or part of the donation may no longer qualify as a gift.
- g. The donor cannot direct the gift to a specific person, family or other nonqualified donee. Donors can direct their gift to a specific program operated by the Township, however, cannot choose specific beneficiaries of their donation.
- h. The Township reserves the right to reject any gift or donation in whole or in part.

7. Considerations for Acceptance of Donations

- a. Donations may be subject to a formal offer and review process. The formal review will be at the Township’s discretion and determination shall be on a case-by-case basis. Donations will be considered for acceptance by the CAO and Treasurer after a review of criteria which may include but are not limited to:
 - i. Compliance with applicable By-laws, policies and legislation;



- ii. Conflict of interest or potential for a perceived conflict of interest;
- iii. Associated risks such as a reputational risk associated with accepting a donation from a particular donor; conditional upon endorsement of any products, services or suppliers, etc.
- b. Where donations are being accepted on behalf of a major project or fundraising campaign, the funds will be held in an appropriate account or reserve until sufficient funds for the proposed project have been obtained. These funds shall not be released and the proposed project may not commence until sufficient funds to complete the project have been secured, and spending authority has been obtained. Where appropriate, sunset provisions will be identified at the outset for major projects and fundraising initiatives to define how unused funds will be allocated and retained for consistent use.
- c. Unsolicited donations that remain unspent at the end of the year may be carried over to the following budget year only upon Council approval prior to the approval of the following year's budget.

8. Qualifying Cash Donations – Charitable Receipt Eligibility

- a. The Township is a qualified Donee and is authorized by the Canada Revenue Agency (CRA) to issue donation receipts for income tax purposes to qualifying donations. Donations that qualify for a donation receipt under this policy are charitable cash donations as defined in this policy.
- b. In addition, the cash donation must meet the following criteria:
 - i. A physical or actual transfer of the donation between the donor and Township must occur;
 - ii. Be voluntary – freely given and not as a result of a contractual or legal obligation.
 - iii. The municipality retains discretion as to how the donation is to be spent; donations towards a specific Township project or initiative will be accepted.
 - iv. The donation is for the Township of Southgate directly and those operating directly under the authority of the Township and not another organization or community group.

9. Non-Qualifying Cash Donations – No Charitable Receipt Issued

The following are examples of non-qualifying donations and cannot be acknowledged with a donation receipt for income tax purposes in accordance with CRA guidelines:

- a. Donations that are given to the Township intended as a flow through to a specified recipient who does not have charitable organization status and is therefore not a Qualified Donee. A Donation Receipt can only be provided to the Donor if the Township maintains direction and control over the donated resources;
- b. The basic fee for admission to an event or to a program;
- c. The payment of membership fees that convey the right to attend events, receive literature, receive services or be eligible entitlements of any kind;
- d. Any portion of the purchase price of a lottery ticket or other chance to win a prize, even if the lottery proceeds benefit one or more charities; and,
- e. A payment from a business for which the business receives a material advantage such as promotion or advertising in return. It is the CRA position that the donor must deduct sponsorship expenditures as business expenses.



10. Joint Venture Fundraising Campaigns

- a. Whenever entering into a joint venture fundraising campaign, Council should give due consideration to the resourcing required to support the joint venture and how the initiatives are tied to strategic priorities of Council.
- b. In the event that the Township decides to form a joint venture with another fundraising entity (i.e. committee, board, etc.), a formal agreement shall be written and specify the following:
 - i. Applicable resolutions of Council;
 - ii. That a designated financial account has been created for the purpose of accepting donations;
 - iii. That all funds received as part of a Joint Venture Fundraising Campaign are to be held by the Township on behalf of the partnering entity and stipulate a deadline for the project fundraising campaign; and,
 - iv. Terms that specify the direction of funds in the event where the planned objective is not achieved shall be (Example: Fundraising for a park amenity fails to achieve objective, funds could be dispersed to the park generally or the park system within the community as appropriate).
 - v. Contents must be satisfactory with regards to legal content to the legal counsel of the Township; and
 - vi. Contents must be satisfactory with regards to financial content to the Treasurer of the Township.
- c. The Township reserves the right to refuse to move into a joint venture with the entity due to failure to adhere to the conditions set out in this policy.
- d. Donation receipts shall be issued in accordance with this policy.

11. Process for Donations and Donation Receipts

- a. Donations will be accepted by cheque, debit, credit card (through third party) or bank draft.
- b. Donations will be required to have been cleared by the Township's financial institution or confirm its receipt prior to the issuance of a donation receipt.
- c. A donation receipt for income tax purposes will be issued for donations of \$20.00 or more. The receipt will include all the information required in Regulation 3501 of the Income Tax Act. The CRA ultimately determines the value of the donation which is permitted for tax deduction.
- d. The donation receipt will be in accordance with the Income Tax Act and contain the following:
 - i. Full name and address of the person or business that appears on the payment or in the case of an in-person cash donation, the person that is delivering the payment.
 - ii. The date of the donation; this is the date received by the Township or the Township's financial institution.
 - iii. The name and address of the Township (the donee).
 - iv. The registration number of the Township (the donee).



- v. The amount of the donation.
- vi. The signature of an individual authorized by the Township to acknowledge the donation.
- e. Where donations are received by the Township, the funds will be recorded in the appropriate account by the Treasurer or designate.
- f. Records supporting donation receipts issued shall be retained and filed in accordance with the Township's Record Retention Policy.
- g. All donations receipted will exclude HST.

12. Support for Organizations Independent of the Township

a. Donations and Donation Receipts

Organizations that offer programs of genuine benefit to the community often request that the Township receive donations on their behalf for the purpose of issuing tax receipts. Under the ITA, the Township 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.

b. Use of Township Charitable Number

The Township often receives requests from community organizations to use the Township's business/charitable number to establish charitable status when applying for grant funding. Many grant programs require applicants to have a charitable status as one of the qualification criteria. This section addresses the ITA implications to the Township:

- i. The Township, as a qualified donee, is prohibited under the ITA from permitting third parties to use its business number/charitable number to establish qualified donee status when applying for grant funding.
- ii. The Township can grant use of their charitable number ONLY when the Township is working through as an intermediary to apply for grant funding related to a project for which the Township directs and controls both the activities being conducted on the Township's behalf and the use of the grant funds received. In order to use this exception, there must be a formal agreement in place between the Township and the intermediary organization that specifies the details of the project, the nature of the shared objectives and that the project is an activity eligible to receive charitably donated funds pursuant to the ITA.

c. Holding of Funds

The Township sometimes receives requests from community organizations to hold their funds and act as the flow-through for donations, payments and other transactions. The Township will not hold these funds unless it is a part of a Joint Venture and included in the agreement due to tax impacts and reporting requirements.



13. CRA & Township Requirements

- a. In order to maintain their qualified donee status, municipalities must keep adequate books and records containing:
 - i. Information to allow the CRA to verify revenues for which donors can claim income tax credits or deductions;
 - ii. Information to allow the CRA to confirm that they meet the requirements for qualified donee status under the ITA; and
 - iii. A duplicate of each receipt containing prescribed information for each donation received.
- b. If a municipality fails to maintain adequate books and records, or fails to provide them to CRA upon request, it may have its qualified donee status suspended or revoked entirely.
- c. All used and unused receipts will be securely stored by the Township until needed. All used receipts will be retained per the Township's retention by-law, which is inline with section 5800 of the Income Tax Regulations.
- d. If the Township contravenes or continues to contravene the receipt requirements under the ITA, it could face fines and/or penalties as well as have its registration revoked.

14. Responsibilities

- a. Council has the authority and responsibility to:
 - i. Adopt the Charitable Donations Policy; and
 - ii. Apply their discretion to enter into a joint venture agreement with an entity at the fundraising campaign level.
- b. The CAO has the authority and responsibility to:
 - i. Ensure compliance with the Charitable Donations Policy;
 - ii. Reject donation at the donor level based on criteria listed in this policy; and
 - iii. Draft Joint Venture Agreements in coordination with the Clerk and Treasurer.
- c. The Clerk and Treasurer have the authority and responsibility to:
 - i. Support the CAO in the review and development of Joint Venture Agreements.
- d. The Treasurer has the authority and responsibility to:
 - i. Ensure the collection and issuance of donation receipts for qualifying cash donations;
 - ii. Ensure that monies received are deposited on behalf of the municipality in a financial institution designated by the municipality; and
 - iii. Ensure the maintenance of accurate records of all donations.
- e. Department Heads have the responsibility to:
 - i. Provide supporting information to the CAO, Clerk and Treasurer for Joint Venture agreements;
 - ii. Facilitate compliance with this policy and ensure that necessary procedures are established, communicated, monitored and updated as required; and
 - iii. Deliver any required policy training.



15. Confidentiality of Information

All information pertaining to donors and donations received by the Township is considered confidential and is subject to legislative disclosure requirements such as Municipal Freedom of Information and Protection of Privacy Act, R.S.O 1990. In some situations, approval may be sought by the Township to acknowledge donors.