

Donation Policy

Policy Number: FIN 7.01

Sub-Topic:

Topic: Financial Services Policy

Applies to: All Employees

Policy Statement and Strategic Plan Linkages

This policy applies to donations made to the Corporation of the Town of Newmarket (the Town) in cash or in-kind. Donations may carry cost implications and must fit in with the Town's fiscal responsibility mandate and align with the well-equipped and well-managed objective of the Strategic Plan

Purpose

The purpose of the Donations Policy is to set out guiding principles for the eligibility and definition of donations made to the Town, the eligibility for donation receipts, and the amount to be recognized.

Definitions

Advantage

Donation

Donation Committee

Eligible Amount

Events

Fair Market Value

Gifts In Kind

Public Arts Committee

Senior Leadership Team

Procedures

This policy supports the Town's commitment to meet the requirements for issuing donation receipts according to the Canada Revenue Agency (CRA).

Effective January 1, 2012, and resulting from the 2011 Federal Budget, the CRA has implemented changes to the rules for issuing donation receipts by municipalities. Compliance entails the determination of qualifying donations, as well as adequate record keeping of issued donation receipts and giving access to such records to the

CRA. Failure to comply may result in a suspension of receipting privileges or qualified donee status.

1. Considerations for acceptance of Gifts in Kind

All Gifts in Kind will be made subject to a formal offer and review process. At the Town's discretion and determination, Gifts in Kind will be considered for acceptance by the Donation Committee after a review of criteria, including:

- Consistency with the Town's priorities, mandates, strategies and business plans, vision and/or beneficial to the community of the Town of Newmarket
- Compliance with By-laws, policies, laws and conventions
- Conflict of interest or potential for an appearance of a conflict of interest
- Reputational risk associated with accepting a donation from a particular donor
- Political sensitivity
- Usefulness of the donation
- Condition and value of the donation
- Future cost/benefit/risk evaluation under consideration of available financial resources required for installation, storage, maintenance and other relevant costs, such as insurance
- Availability for full and unencumbered transfer of ownership/title, and a donor release to allow for such a transfer of title

Donations will not be accepted from persons who have a concurrent application of a permit or license from the Town or an application for planning approval from the Town, or from persons who are bidding for a contract from the Town through a procurement process.

For specific Town initiatives, such as public art, a specific committee such as the Public Arts Committee may be established to consider donations of in-kind items ("Specific In-Kind Donations"). In the absence of such specific committee, any member of the Donation Committee may recommend the acceptance of Specific In-Kind Donations.

For donations such as public art, no specific location will be guaranteed in perpetuity. The Public Arts Committee should be consulted for all donations of art or cultural significance. Donations of real estate will be reviewed by the Legal Services Department. Notwithstanding the foregoing, the Donation Committee will make the final determination of acceptance or rejection of Gifts in Kind.

A majority of the members of the Donations Committee must authorize acceptance of Gifts in Kind.

Cash donations to the Town or a specific program operated by the Town will be accepted as a matter of course.

2. Donations eligible for an official income tax receipt

To be eligible for an official income tax receipt, the donation must meet at least all of the following three criteria:

- Be an actual transfer of property to the Town of Newmarket
- Be a gift of property (e.g. money, artwork, equipment)
- Be voluntary – freely given and not as a result of a contractual or legal obligation

Only the Eligible Amount of a donation may be recorded on a donation receipt. If the donor receives any property, services, or other Advantage in consideration of his or her donation, the Fair Market Value (FMV) of the Advantage is deducted from the FMV of the gift to determine the Eligible Amount for the purposes of the donation receipt.

3. Donations ineligible for an official income tax receipt

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

- Donations that are given to the Town intended as a flow through to a specified recipient who does not have charitable organization status
- Intangibles - non-monetary assets without physical substance, such as services, time, skills, effort
- 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. product or logo placement or presenting sponsorship)
- Transfers of cash, property or assets resulting from a condition, such as a court order, or requirement of the Town's approval process, such as a site plan or subdivision agreement
- Donations for which the Fair Market Value (FMV) of the advantage or consideration provided to the donor exceeds 80% of the value of the donation
- A gift in kind for which the FMV cannot be determined

4. Associated Costs

At the Town's discretion and determination, the donor is responsible for related costs for all donations, as applicable, and which costs are not eligible for a donation receipt, including:

Transportation of the donated item, including transfer costs for cash donations

Cost for an appraisal/valuation of Gifts in Kind by an independent, qualified appraiser for donations of Gifts in Kind valued above \$1,000; Donations of personal property, public art and real property expected to be valued at \$1,000 or less may be appraised by knowledgeable, internal staff in conjunction with the use of online resources suitable to establish a current fair market value

Documentation for insurance purposes, if applicable (i.e. photograph of item, original sales receipt, appraisal document, certificate of authenticity)

Conservation treatment, if applicable (i.e. restoration of artwork, cleaning, repairs etc.)

The Town may request a second independent appraisal, depending on the amount or nature of the requested donation. If the difference in value between the two appraisals is less than 10%, the Town will take the lower of the two. Where the difference is greater than 10%, a third appraisal will be requested if the cost of the appraisal is less than 1% of the value of the asset. Where the difference between the first two appraisals is 10% or greater, or there are three appraisals, the average of the first 2 appraisals or 3 appraisals, if applicable, will be the final deemed fair market value.

An appraisal/valuation is required for all donations of Gifts in Kind.

5. Town controlled charitable activity and community events

The Town may issue charitable receipts for events held by Town-owned or Town-controlled organizations, if those organizations meet the criteria in accordance with the CRA's expanded definition of "municipality".

a) In order to be considered an organization that is owned by a municipality, the following must apply:

- The municipality must own 90% or more of the shares or capital of the organization; or
- The municipality holds title to the assets of the organization or controls their disposition

b) In order to be considered an organization that is controlled by a municipality, the following must apply:

- The municipality appoints more than 50% of the members of the governing body of the organization; and
- The organization must submit its operating budget and, if applicable, capital budget to the municipality for review and approval.

In cases where tickets are sold and the purchaser is to receive an official receipt, the value of the receipt will be the cost of the ticket less the value of any goods or services received. Canada Revenue Agency has ruled that the value of a gift must be reduced by the value of the benefit received by the donor.

6. Information to be reported on a donation receipt (see Appendices B to B3)

The following information must be reported in duplicate for each donation receipt, and issued for all donations:

REQUIRED INFORMATION	Cash Gift	Non-Cash Gift
Statement that the receipt is an “Official Receipt for Income Tax Purposes”	X	X
Unique Serial Number of Receipt	X	X
Name of Municipality	X	X
Name of Donor (Including first name & initial of individuals)	X	X
Address of Donor	X	X
Date on which the Gift was Received	X	X
Amount of Cash Received	X	
Fair Market Value of Donated Property on Date of Gift		X
Description of Property Received		X
Name of Property Appraiser (if applicable)		X
Address of Property Appraiser (if applicable)		X
Description of Advantage Given to Donor (if applicable)	X	X
Amount of Advantage Given to Donor (if applicable)	X	X
Eligible Amount of Gift	X	X
Place or Locality Where Receipt was Issued	X	X
Date of Issuance of Receipt	X	X
Signature of Authorized Person	X	X
Name and Internet Website of the CRA	X	X
Address of Municipality	X	X

Generally, the donation receipt can only be issued to the true donor of the gift of charity. If a donation is made by a cheque in both spouse’s names, an official

donation receipt can be made to either name. Receipts given in connection with corporate donations should be given in the name of the corporation. If a shareholder of the corporation would like the receipt issued to him or her personally, there must be evidence that the funds were personal, tax-paid funds of the individual (e.g. it was recorded as a deduction to the shareholder's loan account).

7. Confidentiality of Information

Subject to any applicable legislative disclosure requirements, such as in the *Municipal Freedom of Information and Protection of Privacy Act, R.S.O 1990*, all information pertaining to donors and donations received by the Town is considered confidential. Charitable giving is normally a personal and sensitive issue. To ensure the privacy of donor information it is necessary to control access to donor and donation information. The Financial Services Department maintains records on all donors and donations received by the Town. A donor may request that his/her gift and/or all information pertaining to that gift remain anonymous.

8. Applicability of Policy

Except with respect to the requirements of the *Income Tax Act* of the Canada Revenue Agency regarding the issuance of donations receipts, this Policy shall not affect any donation transaction arising from an agreement between the Town and a donor which was entered into prior to the adoption of this Policy by Council notwithstanding that the donation transaction is completed after the adoption of this Policy by Council. Notwithstanding the foregoing, the Town may review the terms of any donation that have been agreed to but have yet to be fulfilled.

Instructions for Making a Monetary Donation

- 1) By Cheque: Donations made by cheque must be made payable to "The Corporation of the Town of Newmarket" and may be mailed or delivered in person to the Town's Municipal Office:

Town of Newmarket
c/o Treasurer
P.O. Box 328 STN MAIN
395 Mulock Drive
Newmarket, ON L3Y 4X7

- 2) With Cash: Cash donations will only be accepted at the Customer Service Centre at the Town's Municipal Office located at the above address.

Acknowledgement of Receipt

A letter of appreciation shall be forwarded to the donor following receipt of the donation and any and all appropriate documentation.

For monetary donations, an official receipt for income tax purposes will be issued for donations of \$20 or more, provided that the Financial Services Department confirms that the donation is eligible for such income tax receipt according to Canada Revenue Agency (CRA) guidelines.

Larger donations or donations of cultural significance may be officially recognized at the discretion of the Donation Committee, with the agreement of the donor.

Responsibilities of Employees

Members of the Donation Committee will assess potential donations for eligibility and evaluate their benefit to the Town, considering any potential future cost implications arising from the donation.

The Financial Services Department will issue tax receipts and letters of appreciation for qualified donations and maintain books and records according to the requirements of the *Income Tax Act* and the Canada Revenue Agency.

Official recognition for large donations may require the assistance from Corporate Communications.

Appendices (which may be amended from time to time)

Appendix 'A' - Definitions

Appendix 'B' - Example of an official donation receipt for income tax purposes

Appendix 'C' - Examples of donations

Cross-References

Income Tax Act, section 230(2)

Canada Revenue Agency:

P113 Gifts and Income Tax

IT-288 Gifts of Capital Properties to a Charity and Others

IT-297 Gifts in Kind to Charity and Others

Credit Card Memorandum for credit card limits and exceptions

Sale of Land Policy

Contact

[Department/position title, telephone number and email address, for example:
Human Resources Department or at hr@newmarket.ca]

Details

Approved by: Chief Administrative Officer

Council Adoption Date: May 7, 2018

Policy Effective Date: May 8, 2018



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Appendix A – Definitions to Town of Newmarket Donations Policy FIN.7.01

Advantage is the total value, at the time the gift is made, of all property, services, compensation, or other benefits that a person is entitled to receive in relation to the gift. The advantage may be conditional or receivable in the future.

Donation means a voluntary transfer of tangible property, including cash, or a transfer in-kind of tangible property, other than cash. The donation has to be valued at Fair Market Value and the net amount of a donation is calculated from this value less any advantage or benefit received or to be received as a result of the donation.

Donations Committee is a committee comprised of the members of the Senior Leadership Team and the Treasurer.

Eligible Amount is the amount by which the FMV of a donated gift exceeds the value of any “Advantage” received or receivable as a result of the making of the gift. This is the amount specified on the tax receipt and is intended to represent the net value of the donor’s gift to the donee.

Events as they relate to donations can be:

- a) municipally endorsed events that are events hosted by other organizations for which the Town provides assistance in securing donations and sponsor material, such as the Dragonboat event, INN from the Cold events; or
- b) Municipal events, meaning special events such as a Civic Awards Ceremony or Volunteer and Staff Appreciation Events

Fair Market Value (FMV) is usually the highest value that the property would bring, which may be determined by appraisal as set out in Section 4 of the Donation Policy, in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

Gifts in Kind, also known as non-cash gifts, are gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property and real

property. A contribution of services is not property and therefore does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.

Public Arts Committee is a committee comprised of the members of the Senior Leadership Team.

Senior Leadership Team comprises the Chief Administrative Officer and the Commissioners of the Town of Newmarket.



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Appendix B1: Donation Receipt – Cash with Advantage

Official donation receipt for income tax purposes
[Canadian Revenue Agency – Charities](#)

Receipt number:

Issued from:

Name of donor:

Address of donor:

Amount received:

Description of advantage received
by donor:

Value of advantage received by
donor:

Amount of gift eligible for tax
purposes:

Date of donation:

Date of issue:

[authorized signature]



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Appendix B2: Donation Receipt – Non-Cash Gift

Official donation receipt for income tax purposes
[Canadian Revenue Agency – Charities](#)

Receipt number:

Issued from:

Name of donor:

Address of donor:

Amount received:

Description of advantage received
by donor:

Value of advantage received by
donor:

Amount of gift eligible for tax
purposes:

Date of donation:

Date of issue:

[authorized signature]



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Appendix B3: Donation Receipt – Non-cash Gift with Advantage

Official donation receipt for income tax purposes
[Canadian Revenue Agency – Charities](#)

Receipt number:

Issued from:

Name of donor:

Address of donor:

Amount received:

Description of advantage received
by donor:

Value of advantage received by
donor:

Amount of gift eligible for tax
purposes:

Date of donation:

Date of issue:

[authorized signature]



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Appendix C: Example of Donations

Donations as part of Town Initiative

Celebration Bench Program

Involves the donation of funds used towards the installation of a bench in a Newmarket park to commemorate a special occasion, remember a significant event, honour a loved one or express a passion for enhancing the community (subject to approval). A custom plaque will be inscribed as per the donor's wishes, and the bench contribution will provide recognition for 10 years. A receipt for income tax purposes can be issued for the donation value less the cost of the plaque. This donation is not subject to sales tax.

Celebration Tree Program

Involves the donation of funds used towards the greening of parks by planting a tree in dedication of a special event or in memory of a loved one. A receipt for income tax purposes can be issued for the donation value. This donation is not subject to sales tax.

Donations in the form of a capital contribution

a) Donations of Land

Donations of land will be reviewed by the Legal Services Department.

Donations made by employees or Members of Council

a) Donations of wages

Employees or Members of Council may donate any portion of their wages back to the Town. The total wages will be paid to the individual, charged to the applicable business unit, and will be included in the individual's T4 earnings. The individual **will remit their** chosen amount to the Town and will receive a donation receipt for the amount of the cash donation.

b) Donation of long-term service award

Employees may donate their long-term service award of cash to the Town. Long-term service awards of cash are a taxable benefit and will be reported on the employee's T4. A donation receipt will be issued for the amount of the cash donation.