

<b>City of Prince Albert</b> <b>Statement of POLICY and PROCEDURE</b>			
Department:	Financial Services	Policy No.	<b>7.1</b>
Section:	Financial Services	Issued:	November 13, 2007
Subject:	<b>Donation Policy and Procedure</b>	Effective:	January 22, 2024
Council Resolution# and Date:	Council Resolution No. 0010 dated January 22, 2024.	Page:	1 of 11
		Replaces:	Tax Deductible Donation Policy and Procedure Policy No. 07 of November 13, 2007
Issued by:	Senior Accounting Manager	Dated:	November 13, 2007
Approved by:	Director of Financial Services		

## 1 POLICY

- 1.01 The City, when requested, will issue an official donation receipt for any gift of money, or gift-in-kind (as outlined under paragraph 1280 of the CCH Canadian Accounting Handbook), paid directly to the City to be utilized for projects that fall within the definition of "Beneficial to the Community" (see Section 5, Paragraph 5.01), and which exceed \$10.00.
- 1.02 The Income Tax Act notes that gifts must involve "property". Contributions of services (skills, time, or effort) are not considered "property" and will not receive a receipt unless the donor invoices the City or Organization receiving the service. The recipient must agree to pay for the service and the donor must be willing to return all, or a portion of, the payment as a gift. This should be accomplished by a cheque exchange to ensure not only an audit trail, but to also ensure the donor will account for the taxable income, if applicable.
- 1.03 It will be the responsibility of Organizations, Individuals or City Departments requesting donation receipts, to track who is providing donations to them, and to provide that information in an organized format as required by City Administration.
- 1.04 Organizations from time to time will canvas the general public for donations for capital projects that have a capital impact on City Facilities. In those instances, City Administration will work with and act as "consultants" and may, when requested by the Organization and subject to City Council's approval, participate in a limited capacity in the collection process. Administration will provide official donation receipts for donations if they meet the criteria as outlined in The Income Tax Act and the appropriate Canada Revenue Agency requirements and guidelines.

## **2 PURPOSE**

2.01 The intent of this policy is to provide a clear and concise understanding of what criteria must be followed in order to receive an official donation receipt from the City.

## **3 SCOPE**

3.01 This applies to all external organizations, individuals or City departments requesting that the City provide an official donation receipt.

## **4 RESPONSIBILITY**

4.01 It is the responsibility of all City Departments, Organizations and Individuals to comply with the requirements and guidelines noted in the attached document.

## **5 DEFINITIONS**

5.01 **Benefit to the Community** is defined as:

1. Donations made to improve a civic facility that is owned by the City, but may not necessarily be operated by the municipality.
2. Donations made to assist with the capital development of a civic facility that will be owned by the City, but may not necessarily be directly operated by the municipality.
3. Donations made to assist with the operations of a civic facility paid directly to the City.
4. Donations made to offset community service programs offered by various City departments. Examples would include programs such as Drug Abuse Resistance Education programs, or Fire Prevention and Education programs, playground programs, as well as other programs that are deemed to provide educational or recreational benefit to the community at large.

5.02 **Gifts**, as defined by The Income Tax Act are:

Generally, a gift is made if all three conditions noted below are satisfied:

- a). some property – either in the form of cash or a gift-in-kind - transferred by a donor to a registered charity
- b). the transfer is voluntary. The donor must not be obliged to part with the property, for instance as the result of a larger contract or a court order.
- c). the transfer is made without valuable consideration (advantage). The advantage cannot exceed 80% of the fair market value of the property

being transferred.

These criteria will be the basis for determining the eligibility of donations and whether or not the City will be issuing official receipts.

**5.03 Gift-in-kind** as noted under paragraph 1280 of the CCH Canadian Accounting Handbook requires the following:

*"Where the donation is a gift of property other than cash, a brief description of the donation must be provided along with an independent appraisal of the fair value of the "gift" provided in order to determine what the fair market value of that gift will be (paraphrased)."*

The deemed fair market value rules as described in Income Tax Act Subsections 248(31) and (35), and any other applicable sections, will apply to any gifts-in-kind received.

## **6 REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE**

**6.01** The Income Tax Act of Canada

**6.02** CCH Canadian Accounting Handbook

**6.03** Canada Revenue Agency Publications

T4063 - Registering a Charity for Income Tax Purposes; and

P113 - Gifts and Income Tax

## **7 PROCEDURE**

**7.01** City of Prince Albert Donation Receipts and other Organizations

The City of Prince Albert is often requested to provide donation receipts to individuals who give money or property to various community based organizations. In order to comply with the requirements of The Income Tax Act, the City **must** ensure that the money being donated "benefits the community" as defined under the section Definitions, paragraph 5.01. The City **must** also ensure that the ultimate authority on the use of the donations rests with the City. The following procedure must be adhered to for all donation receipting requests identified under sections 7.03 to 7.06 inclusive, before the City will provide donation receipt(s):

- 1). An Organization must provide to City Administration a formal letter noting its mandate and how it intends to use the funds to "benefit the local community at large". The Organization must also indicate their understanding that the City holds the ultimate authority over the use of the

funds.

2). Administration receiving this request must provide a report to City Council forwarding the Organization's formal letter as well as asking Council for their approval to provide Donation receipts. The memo or letter must clearly identify the term for which the donation receipts will need to be provided, that is:

- a) For one specific year only;
- b). For a period of the current year until a specified end date; or
- c). For an indefinite period beginning in the current year and not ending until further instructions are received.

3). Once City Council makes a decision with respect to the request, City Administration will contact the Organization and inform them of Council's decision. If Council agrees to provide Donation receipts, Administration will provide a copy of this policy noting the steps that must be followed and what information the City will require from them (as itemized below) in order to facilitate the timely production of donation receipts. Administration must also communicate that while this is being facilitated to provide to the Organization, the City has ultimate authority over the use of the resources.

#### 7.02 Donation Receipt Guidelines:

1. Below is a table noting information the City requires from Organizations. All information is to be supplied in the format noted below. All fields in the table should be completed. This is an Excel spreadsheet and the City asks that Organizations, if possible, use the same software or a compatible program with similar formatting.

Name of Company Making a Donation	Last Name	First Name & Middle Initial	Address	City	Prov	Postal Code	Donation Amount	Donated To:	Temporary Donation Receipt Number	Date Received

2. Organizations must provide **pre-numbered** receipts to their donors and those numbers should be noted in the spreadsheet provided to the City.
3. Spreadsheets must be submitted to the City's Financial Services Department by January 31 of the following tax year. **The Organization will be expected to provide this list on their own initiative.** If the deadline passes before the Organization provides its information, the City cannot guarantee that the donation receipts will be processed by the February 28<sup>th</sup> deadline.

4. The Organization must provide a total for all Donation monies received.
5. Organizations must simultaneously provide a copy of their spreadsheet to City Administration and a cheque for the total amount of donated dollars received.
  - a). If the donated money is to be allocated toward a multi-year loan or similar financial arrangement with the City, the revenue should be recorded as a reduction of the loan payable or other financial arrangement.
  - b). If the donated money is to be used in an alternate manner, once it is received and receipted, Financial Services will process a cheque payable back to the Organization for the same dollar amount paid to the City.

Financial Services will provide a cash receipt for the money received and will allocate the money based on the information provided by the Organization and approved by the City.

6. If a cheque and donation list is supplied by an Organization prior to or by the January 31 deadline noted under paragraph 3 and in advance of the City printing the donation receipts, City Administration will process payment back to the Organization by the next cheque printing date. Cheques should not be held by the City for a period that exceeds two weeks. However, if donation receipts can be completed under the two week deadline, the City will make every effort to simultaneously provide both the cheque and donation receipts to the Organization.
7. The City of Prince Albert will generate Donation receipts before February 28<sup>th</sup> of the new year, and will contact the person identified as the Organization's contact individual once the receipts are printed. The City will keep a PDF copy of all donation receipts issued.
8. It will be the responsibility of the Organization to distribute the Donation receipts to the donors noted on their spreadsheet.
9. Donors, if they experience any problems receiving their respective Donation receipts, should first contact the Organization who collected the donation before contacting the City. The Organization's contact person should be the only person corresponding with the City to avoid confusion or data entry errors from occurring.

#### 7.03 Cash Payments received at City Hall:

- Cash donations received from any individual and submitted to the City must be provided to the cashier who will provide a receipt to the donor. A copy of that receipt will be kept in a Donations file in Financial Services. The cashier's receipt should note:
  - a). the dollar amount paid;
  - b). the name and address of the donor; and,

- c). how the donor wants the money to be used, if applicable (ex. if it is for a specific Community Services program or is it to be utilized for infrastructure rehabilitation or construction, etc.).
- The City will generate a numbered Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the following year and will keep a PDF copy of the receipt for future reference.

#### 7.04 Beguessed Donations:

- Any money donated from someone's estate to the City, will follow the same procedures as outlined in 7.01 and 7.02 above **except** that the name of the donor should be recorded on the spreadsheet as the "Estate of ... " (for example, Estate of Robert Winterburn). All other requirements must be followed as noted above.
- Financial Services should be provided with a copy of the Notarized documents and letter from the Estate instructing where the money or donation is to be utilized in order to ensure that, in the future, the money is utilized for its intended purposes.
- A numbered Official Donation receipt will be provided to the Estate by February 28<sup>th</sup> of the following year and the City will keep a PDF copy of the receipt for future reference.

#### 7.05 Gift-In-Kind Donations:

- In order for the City to issue an Official Donation receipt for Gifts- in-Kind, a quantification or appraisal of the fair market value of that gift(s) must be determined. Any associated costs will be the responsibility of the donor unless the City, upon prior agreement, agrees to assume responsibility for any portion of the cost.
- Gifts-in-Kind should be recorded on a separate spreadsheet. Once the Appraisal is provided, the spreadsheet with a copy of the appraisal, must be submitted to Financial Services following the same format as noted under paragraph 7.02.
- The City of Prince Albert will generate a numbered Official Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the following year and the City will keep a PDF copy of the receipt for future reference.

#### 7.06 Contributions of Services:

- As noted under the section "**Policy**", paragraph 1.02, contributions of services (skills, time, or effort) are not considered "property" and will not receive a receipt **unless** the donor invoices the entity receiving the service. Organizations must agree to pay for the service and the donor must be

willing to return all, or a portion of, the payment as a gift.

- Organizations should keep a separate spreadsheet following the same format as noted under paragraph 7.02, recording all invoices they have received that identify contributions of service(s) and they must provide a copy of that invoice to City Administration for verification purposes.
- The City of Prince Albert will generate a numbered Official Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the following year and the City will keep a PDF copy of the receipt for future reference.

7.07 Multi-Year Donations:

- Unless otherwise agreed to, donations agreed to be made over a period of time will be required to enter into an agreement with the City that outlines the purpose, amount, recognition requirements and any direction/constraints on the gift.
- Unless otherwise stated in the agreement, recognition of a donor, such as a name listed on a “donor wall”, will not be made until payment is received in full.