

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL

Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	1 of 6

1. PURPOSE

To provide guidance to staff in the acceptance, accounting and documentation required in the acceptance of donation and the issuance of receipts for Income Tax purposes.

2. POLICY

The Township of Lake of Bays staff will adhere to federal and provincial legislation regarding donations and taxable receipts.

2.1 Authority Statement

2.1.1 Government of Canada

- a) Provides the authority and the guidelines as to when and how a taxable receipt can be issued through the Income Tax Act sections 110.1 and 118.1.
- b) In addition to registered charities, paragraph 110.1(1)(a) and the definition "total charitable gifts" in subsection 118.1(1) permit registered Canadian amateur athletic associations, Canadian municipalities and the United Nations and its agencies, among other qualified donees, to issue receipts for charitable gifts.

2.1.2 Treasurer

- a) Accountable through the Municipal Act for depositing all money payable to the municipality and issuing of receipts for those payments.
- b) Accountable for recommending policies and procedures as it relates to the accounting, reporting and issuance of receipts for funds/gifts received by the Corporation.
- c) Accountable for ensuring adherence to statutory and policy requirements governing use of funds and in this case interpretation of the income tax regulations.
- d) To delegate the authority and responsibility for carrying out procedures within the established policies and procedures.

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL			
Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	2 of 6

2.2 Definitions

Note: *These definitions are by necessity paraphrasing the Income Tax Act. If the Act changes, these definitions will have to be changed to comply with the legislation.*

2.2.1 Gift / Donation

Definition: A voluntary transfer of property without valuable consideration.

Generally a gift is made if all three of the conditions listed below are satisfied:

- a) Some property (usually cash) is transferred by a donor to the Township;
- b) The transfer is voluntary; and
- c) The transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor, except where the benefit is of nominal value.

The funds must be spent by the Township for municipal purposes and not transferred to a third party who would be responsible for its spending.

2.2.2 Gift in Kind

Gifts in kind of a taxpayer include capital property, depreciable property, personal-use property including listed personal property, a leasehold interest, a residual interest, a right of any kind whatsoever, a license, a share, and inventory of a business.

Exceptions

- a) A gift in kind does not include a gift of services. i.e. labour, equipment
- b) Donations of property where its cost has been or should be charged as a business expense.
 - For example: if a taxpayer transfers merchandise or supplies to a charity in consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the taxpayer's business, then the transfer would not be a gift.

2.2.3 Benefits of Nominal Value

Where a charity offers an item, privilege or other benefit in return for a donation, the benefit is considered to have a nominal value where its fair market value does not exceed the lesser of:

- a) \$20.00, or
- b) 10% of the amount of the gift.

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL			
Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	3 of 6

2.3 General Administration (Continued)

The Township of Lake of Bays receives a number of donations, some are for a specific purpose, and some are unassigned at the time the donation is received.

2.3.1 Donations are to be used as an alternative source of financing to fund corporate initiatives in line with the corporation's strategic direction and business plans and, as such:

- a) The specific program or capital project must first receive the approval of Council through the operating or capital budget process and/or through individual reports to Council. Donations received would be credited directly to the program's operating budget or to the approved capital project.
- b) Unsolicited donations of a minor nature, which do not require implied commitment upon the corporation, are to be credited to the operations for which the donation was made.
- c) No individual bank accounts are to be established for receipt of donation.

2.3.2 Donations are not to be credited to reserves or reserve funds. Other exceptions to this general rule can be made with the mutual agreement of the Treasurer.

2.3.3 The above principles provide the framework for a more focused approach to fundraising within the corporation, the establishment of campaign approach to soliciting donations, assigning Treasury Departmentship to these initiatives and thereby, accountability for the formal delegation of duties in adherence with the policies and procedures contained within this document.

2.3.4 Control of Receipts

The Township of Lake of Bays must guard against the unauthorized use of official receipts and, in the event of lost or stolen receipts, notify Revenue Canada. The receipts must be preprinted in triplicate, serially numbered with their distribution and use controlled and accounted.

- a) Treasury Department
 - Responsible for the numeric control, printing, assigning, distribution and collection of accounting for all receipts issued, lost and replaced for Income Tax Purposes.

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL

Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	4 of 6

2.4 Issuing of Official Receipts for Income Tax Purposes

2.4.1 Treasury Department

- a) Responsible for issuing tax receipts on donations, received in the form of cash or cheque, related to the fundraising initiative as agreed upon by the Treasurer and the respective Department Manager.
- b) To replace lost or spoiled Official Receipts:
 - The replacement receipt must contain all required information plus a notation to the effect that "this cancels and replaces receipt # (insert the serial number of the lost receipt)."
 - The Township of Lake of Bay's copy of the lost receipt must be retained and marked "cancelled". In the case of a spoiled receipt, all copies must be retained and marked "cancelled", and another receipt may then be issued.
- c) To ensure that in the case of a special event the determination of the donation portion of fee charged must be agreed upon by the Treasurer before receipts are issued.
- d) In the case of gifts in kind, provide the necessary documentation to Treasury Department to support establishing a value of the donation/gift.
- e) Responsible on a corporate wide basis, for the issuance of official tax receipts on donations, received in the form of gifts in kind.
- f) To determine/approve, in the case of a special event, the donation portion of the fee charged.
- g) To provide training and interpretation of the policies and procedures so that the Treasury Department have the required information to fulfill their duties.
- h) To ensure policies and procedures are adhered to and to revoke privileges where necessary.

2.5 Determining Value of Donation/Gift

2.5.1 Special Events

The difference between the purchase price of a ticket to attend a "dinner, ball, concert, show" or like event is presumed to be consideration for participation in the lottery or draw. A "like event" is an event which provides services and consumable goods, the equivalent of which are readily available in the marketplace and which by their very nature are necessarily purchased with the intention that they be used on a specific date in the near future by the ticket purchaser (and guests) and which, if not used, have no resale value.

- a) To calculate the gift portion, the charity may consider that two payments have been received: one for the fair market value of admission and the second as a gift to the charity.
- b) The fair market value of admission to a fund-raising dinner, ball, concert or show should be determined by making a comparison to the regular or usual charge for attendance at the same or a similar function or event for which a donation is not solicited. In the absence of a comparable event, the value is the estimated price that would have been charged for a function or event of this nature carried out as a profit-making venture.

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL

Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	5 of 6

**Required Documentation to Support Value of Gift
(Collected by Sponsoring Department & Forwarded to Treasury Department for Issuance of an Official Tax Receipt)**

Value of Gift	Criteria	Documentation Required
Less than or equal to \$20.00	Judgment of Treasury Department as agreed to value between donor and Treasury Department.	Treasury Department to complete appraisal form by providing a description of the gift and the agreed upon value. Donor & Department Manager to sign form.
Greater than \$20.00	Third party confirming documentation independent of Treasury Department and donor.	Treasury Department to complete appraisal form by providing a description of the gift and value along with supporting documentation. Comparable item or service as supported by a copy of an independent advertised price, catalogue, retail price lists, etc. or An appraisal as supplied by the appraiser or a completed appraisal form describing the gift, its value and signed by the appraiser. The appraisal must be done by an independent person who is competent and qualified to evaluate the particular property being transferred by way of a gift.

2.6 Process to be Completed

- 2.6.1 Fundraising Initiative is approved by Council.**
 CAO and respective Department Manager agree upon:
- a) The scope of the initiative (amount to be raised, duration of campaign etc.)
 - b) The designated department(s).

- 2.6.2 Treasury Department distributes Official Tax Receipts along with copies of policies and procedures and appraisal forms.**

2.6.3 Fundraising and issuance of Official Tax Receipts

a) Cash Donations:

Treasury Department completes the official tax receipt, as outlined in these procedures.

- Original copy is for the donor.
- Second copy to be submitted to Treasury Department as per cash receipts procedures to support accounting and depositing of funds.
- Third copy to be retained for numeric control.

b) Donations/Gifts in Kind:

- Department Manager completes Appraisal forms.
- Submit completed appraisal form and documentation to Treasury Department.
- Treasury Department to complete official tax receipt.
- Official Tax Receipt to be sent directly to donor or if agreed upon, back to Department Manager to be distributed to donor.

TOWNSHIP OF LAKE OF BAYS POLICY MANUAL

Chapter:	Treasury	Index No.	TR-1.1
Section:	Donations & Taxable Receipts	Effective Date:	12/04/07
Subject:	Donations and Taxable Receipts Policy	Revision Date:	
		Page:	6 of 6

2.7 Completing the Official Tax Receipts

Note: Cheques must be made payable to *The Corporation of the Township of Lake of Bays*.

2.7.1 An official receipt that a charity issues to acknowledge a donation must contain at least the following:

- a) The receipt must contain a pre-printed statement that it is an official receipt for income tax purposes, as well as, the name and address of The Corporation of the Township of Lake of Bays;
- b) The receipt must be prepared in triplicate and must bear its own serial number.

2.7.2 The Treasury Department must provide:

- a) The place or locality where the receipt was issued;
- b) The day on which or the year during which the donation was received or, where property other than cash is received, the actual date of receipt;
- c) The day on which the receipt was issued when it differs from the date of the donation;
- d) The amount/value of the donation/gift;
- e) The name and the address of the donor;

and

- f) Must authorize the donation by signing the receipt.

2.7.3 In addition, where the donation is a gift in kind, other than cash, an appraisal form must be completed.

2.7.4 Date of Issue / Date of Donation

The "date of issue" is the date on which the receipt was prepared. There are no regulations requiring the issuance of official donation receipts within a particular time frame, however, the Township of Lake of Bays will issue official receipts no later than the last day of February following the year during which the gift was made. The more important date is the date of the donation. Gifts received after the end of the year may not be added to the previous year's donations unless the gift was postmarked in the previous year.

3. ADMINISTRATION

3.1 All staff shall follow this policy.

4. ATTACHMENTS

4.1 Donation Appraisal Form



COMPRISING THE FORMER TOWNSHIPS OF FRANKLIN, McLEAN, RIDOUT, SINCLAIR AND FINLAYSON

Township of Lake of Bays

RR#1, 1012 DWIGHT BEACH ROAD
DWIGHT, ONTARIO P0A 1H0

PHONE: (705) 635-2272
FAX: (705) 635-2132
Web: www.lakeofbays.on.ca

DONATION APPRAISAL FORM

Fundraising Initiative: _____

Donor's Name _____

Address _____

City _____

Province _____

Postal Code _____

Description of Donation / Gift In Kind	Appraised Value

Date of Donation _____

Appraiser Name _____

Date _____

Appraiser Signature _____

Date _____

Donor Signature _____

Date _____

For THE CORPORATION OF
THE TOWNSHIP OF LAKE OF
BAYS

Date _____

Treasurer or Designate

Personal information on this form is collected by THE CORPORATION OF THE TOWNSHIP OF LAKE OF BAYS under the authority of The Municipal Act, 2001, c.25, as amended and any by-laws passed pursuant to it, and for the purpose of administering this donation appraisal and for no other purpose.

Applicants are advised that information collected in this form may be required to be disclosed under the Municipal Freedom of Information and Protection of Privacy Act. Questions should be directed to the Freedom of Information Coordinator at 1012 Dwight Beach Road, Dwight, ON P0A 1H0.