

Accounting for Donations to Council Member-Organized Community Events

POLICY #: ASP.0058.00

DIVISION: Accounting Services

DATE: June, 2009

PURPOSE:

To provide a policy and procedure with respect to the accounting for donations in cash or in-kind made to the City for Council Member-Organized community events.

AUTHORITY:

Council Specific: Executive Committee Report 22, Clause 6 (2008)
Corporate: Executive Committee Report 20, Clause 3 (2008)

Under the Income Tax Act (Canada), individuals and corporations can claim an income tax credit for certain gifts made to Canadian municipalities.

IMPACT:

Cash and "gifts-in-kind" donations provide an additional source of revenue for the City. The City may provide an income tax receipt in the amount of the fair market value of charitable donations, which may be claimed by the donor to offset taxable income.

Donations received for community events and expenditures funded by donations are public information and will be posted on the City of Toronto's internet site as part of routine disclosure of Council expenses.

POLICY

(I) Eligibility Criteria:

- (1) Donations must be for specific community events held on a specific date or a specific series of dates,
- (2) Support for the events (in money and/or in-kind) shall not exceed \$ 10,000 annually per Member of Council,
- (3) Donations will not be accepted from those registered as lobbyists with the City, or developers with any pending planning, conversion, demolition or sign variance application or bidders of any outstanding Requests for Proposals or Requests for Quotations,

- (4) All donations shall be given voluntarily and unconditionally. A Donor Declaration Form is required for donations of any amount, stating that the donor is making the donation unconditionally and not in concurrence with an approval or procurement process. The Donor Declaration Form must provide the source, details, value and purpose of the donation.

(II) Accounting Criteria:

- (1) All donation cheques shall be made out to the City of Toronto and accounted through the City Clerk's Office. Members of Council or third parties acting on behalf of members shall not hold or administer donations in separate personal accounts,
- (2) All donations will be accounted for in the calendar year in which it is received. Donations cannot be carried over between calendar years.
- (3) Any donation received must be paying for expenses incurred in the year which the donation is received.
- (4) Any surplus cash donation for any event is to be returned to the donor or transferred to Council's general fund. Surpluses cannot be used for a different community event. This will comply with the requirements under the Income Tax Act. Please refer to page 6 of RC4108, which can be found at : <http://www.cra-arc.gc.ca/E/pub/tg/rc4108/rc4108-02e.pdf>

(III) Tax Receipt Criteria:

(1) Qualified Donations:

Donation shall be in cash or in-kind, given voluntarily and unconditionally for an approved community event, with no expectation of benefits in return.

(2) Non-Qualified Donations:

- (a) Donation made in exchange for consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the donor's purposes.
- (b) Contribution of services (time, skills, effort). For example, consulting, landscaping, labour, etc.

- (c) Donation of consumables. For example, hot dogs, drinks, etc.
- (d) Loan of equipment. For example, barbeque, stage, sound equipment, etc.
- (e) Gift certificates received from the issuer.

(IV) Official Donation Receipts:

- (1) Official receipts for income tax purposes shall be authorized by the Treasurer for eligible gifts and gifts-in-kind made to the City if requested by the donor;
- (2) Receipts shall be made in the name of the donor only;
- (3) The value of the in-kind donation should be provided by the donor. The City reserves the right to determine if the appraised value is fair. If required, a written professional appraisal report will need to be provided at the donor's expense. The appraisal shall be in form and content acceptable to the Treasurer. The income tax receipt shall be in the amount of the appraised value, or in the case of two or more appraisals, the lowest appraised value. The receipt shall also indicate a description of the in-kind donation and the name and address of the appraiser, and shall be dated the day in which the City received the gift.

PROCEDURES:

(1) Donations Received:

- (a) For all donations, the donor will complete and sign a [Donor Declaration Form](#). The donor can check off the box indicating wish to receive an income tax receipt.
- (b) The Councillor shall sign the form and confirm the name and location of the event receiving the donation.
- (c) City Clerk's Office staff shall review the donations received, and determine whether they are eligible for an income tax receipt. If the donation is not eligible for an income tax receipt, City Clerk's Office

staff shall advise the donor and shall indicate the same on any evidence of payment issued for the gift.

- (d) When the donation is eligible as a gift-in-kind for income tax purposes, City Clerk's Office staff shall consult with Accounting Services to review if the value provided for the in-kind donation is fair value.
- (e) At the Treasurer's discretion, any appraisal not sufficient in form and content may be refused, and one or more additional independent appraisals satisfactory to the Treasurer may be required to be produced before any income tax receipt is issued.
- (f) Upon transfer of ownership of the gift-in-kind, copy of the appropriate documentation for the transfer of ownership shall be forwarded to the Accounting Services Division for issuance of an official income tax receipt pursuant to the *Income Tax Act*.

(2) Issuance of Official Tax Receipt:

- (a) Donations that are eligible for official tax receipts shall be batched, and forwarded to Accounting Services with a covering memo from the Director or Manager of Council & Support Services, City Clerk's Office. The memo shall be addressed to Manager of Financial Reporting, 21st Floor, Metro Hall, and shall indicate:
 - (i) the date and amount donated;
 - (ii) the donor's name and full address;
 - (iii) the description of community event supported;
 - (iv) copy of the cheque and the SAP document;
 - (v) appraisal report for in-kind donation; and
 - (vi) the instruction for mailing out the tax receipt.
- (b) The year end donation can be receipted for the current year if the post-mark on the envelope is dated on or before December 31. The post-marked envelope shall be attached to the covering memo.
- (c) Upon confirmation of the deposit and review for compliance with this policy, an official income tax receipt will be issued pursuant to the *Income Tax Act*.

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PAGE: 5 of 5

CONTACTS

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