

EDMONTON

ADMINISTRATIVE PROCEDURE



TITLE

DONATIONS TO THE CITY OF EDMONTON

NUMBER

A1440

DEPARTMENT

CORPORATE SERVICES

DELEGATED AUTHORITY

DIRECTOR, TREASURY MANAGEMENT

CONTACT

CASH CONSULTANT 496-8313

DEFINITIONS

DATE

DECEMBER 16, 2004

Donation – A voluntary transfer of property, either cash or a *gift-in-kind*, made *without conditions or expectation of return*.

Donor – An individual or corporation making the gift or donation. Normally this is the party who should receive the receipt.

Fair Market Value – The value of the property on the date the property is donated to the City, as determined by an independent appraiser or qualified City staff. This represents the amount at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts.

Gift-in-Kind – Property other than cash, such as equipment, that has an ascertainable *fair market value*.

Nominal Value - Means the *fair market value* of the benefit does not exceed the lesser of \$50.00 or 10% of the *fair market value* of the gift.

Qualified City Employee – An employee possessing knowledge, expertise and valuation experience regarding the property being donated.

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*.

PROCEDURES AND GUIDELINES

GUIDELINES

The recording and depositing of donations will be handled in a consistent manner and in accordance with Receiving, Transporting, Storing and Depositing of City Money Directive A1200A.

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The City of Edmonton will only issue official receipts for income tax purposes for donations in excess of \$10.00.

The City of Edmonton reserves the right to refuse any donation.

PROCEDURES

Receiving the Donation

Operational staff within departments may accept donations on behalf of the City of Edmonton. If you are not certain if the donation qualifies for a receipt, you should refer to the FAQs "**What is a gift?**" and "**What donations/payments do not qualify as a gift?**" (Page 3 of 4). Please direct any questions to your operating supervisor. If further clarification is required, the operating supervisor should consult with the departmental Finance Business Partner Representative.

If the party providing the donation (Potential Donor) requests that the official receipt be issued in a different name than their own, the operating supervisor must obtain a signed, written statement from the Potential Donor stating the identity of the true donor of the gift.

If the donation is by cash or cheque, the operational unit should:

- deposit the funds in accordance with Receiving, Transporting, Storing & Depositing of City Money Directive A1200A,
- send a copy of the cheque (if paid by cheque), deposit sheet and/or proof of payment, including donor's full name and address, and the project for which the donation was intended (if applicable), to the departmental Finance Business Partner Representative.

If the operational unit does not have deposit capabilities, arrangements should be made with the departmental Finance Business Partner Representative for deposit.

If the donation is a gift-in-kind, the operating supervisor has the primary responsibility for obtaining an independent, documented appraisal of the fair market value of the donated property. See FAQ "**How are gifts-in-kind valued?**" (Page 4 of 4). If the operating supervisor is not confident about the suitability of an appraiser, or does not know how to locate a suitable appraiser, he/she should consult with the departmental Finance Business Partner Representative.

Once the appraisal has been obtained, the operating supervisor shall send a description of the property donated, the original copy of the appraisal (including the name and address of the appraiser), donor's full name and address, and the project for which the donation was intended (if applicable) to the departmental Finance Business Partner Representative.

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Completing the Receipt

The departmental Finance Business Partner Representative will:

- audit the receipt request to ensure it contains proof that the City received and deposited funds (in the case of a monetary donation), or that an appraisal was completed and the goods received (in the case of a property donation), and that the deposited funds or the appraisal value are equal to the value of the receipt requested, and
- issue, complete and distribute the official receipt for income tax purposes in accordance with the Guidelines and Finance Branch Instruction – Donations - Official Receipts for Income Tax Purposes.

Replacing Lost or Spoiled Receipts

The departmental Finance Business Partner Representative will replace lost or spoiled receipts in accordance with Finance Branch Instruction – Donations - Official Receipts for Income Tax Purposes.

Maintaining Records

The departmental Finance Business Partner Representative must maintain sufficient books and records of all donations received, in accordance with Finance Branch Instruction – Donations - Official Receipts for Income Tax Purposes. These books and records may be subject to audit by the Canada Revenue Agency.

FAQ's

What is a gift?

A gift is a voluntary transfer of property without valuable consideration. To qualify as a gift, **all three** of these conditions must be met:

1. Some property, either in the form of cash or gift-in-kind, is transferred by the donor to the City of Edmonton,
2. The property is given voluntarily, and
3. The donor is transferring the property to the City without expecting anything in return.

What donations/payments do not qualify as a gift?

- the payment of a basic fee for admission to an event or to a program (e.g. fees for day camps),
- any portion of the purchase price of a lottery ticket or other chance to win a prize, even though the lottery proceeds benefit the City,
- contributions of services (time, skill, effort). Contributions of services are not property and do not qualify. However, the City can pay for services rendered and later accept the return of all or a portion of the payment as a gift, provide it is returned voluntarily,

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- ❑ a payment from a business for which the business receives a material advantage such as promotion or advertising in return. For taxation purposes, the business may be able to claim the contribution as an advertising expense,
- ❑ a gift subject to a direction by the donor that the City transfer the funds to a specified person or family. In such an instance, the donor has made a gift to a person or family and not to the City, and
- ❑ a gift subject to a direction by the donor that the City gives the funds to an entity other than the City.

Can the donor direct how the gift is to be used?

Donations subject to a general direction from the donor are acceptable and are eligible for an official receipt for income tax purposes provided no benefit accrues to the donor or to a person designated by the donor, and the donor has no involvement in decisions regarding the utilization of the donation. If the donor or anyone designated by the donor receives a benefit, then a gift has not been made and an official receipt for income tax purposes cannot be issued. The City of Edmonton reserves the right to decline any gift.

How are gifts-in-kind valued?

To qualify as a gift-in-kind, the donated property must have an ascertainable fair market value. The person who determines the fair market value of the property must be competent and qualified to evaluate the particular property being donated, and preferably is not associated with either the donor or the City. Ideally this would be a professional appraiser, valuator or other individual who is accredited in the field of valuation. That individual should be knowledgeable about the principles, theories, and procedures of the applicable valuation discipline and should follow the Uniform Standards of Professional Appraisal Practice or the standards of the profession.

However, if an independent appraiser cannot be found, or if it involves an unreasonable expense, a qualified City employee may appraise the property if the fair market value of the gift is \$1,000 or less. If the value of the property is thought to be more than \$1,000 and an independent appraiser cannot be found, or it involves an unreasonable expense, the operating supervisor should consult with the Finance Business Partner Representative to determine whether a qualified City employee may provide the appraisal for the larger value.

Can donations be refunded?

Donations cannot be refunded once a tax receipt has been issued. When donations are directed to projects or programs that have a minimum amount that must be raised, the donors must be advised that their donation will be directed to other City projects if sufficient funds are not raised to allow the designated project to proceed.

Further Assistance

These FAQs touch on some of the more frequent questions one may encounter. Further assistance can be obtained from your Finance Business Partner Representative.