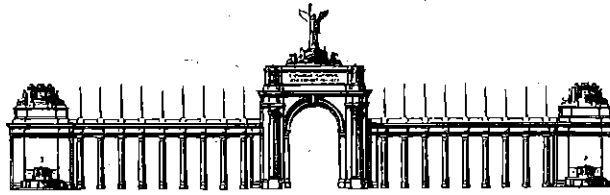


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EXHIBITION PLACE

February 13, 2002

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy

Recommendation:

It is recommended that the Board adopt the "Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy" attached as Appendix "A".

Background:

At its meeting of December 14, 15 and 16, 1999 City Council adopted a report entitled "Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy". This policy was circulated to all Agencies, Boards and Commissions to be used as a tool to assist with fundraising efforts by establishing a mechanism that allows for the timely issuance of tax receipts.

Discussion:

Since the adoption by Council of the "Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy", the Corporate Secretary and City Legal have reviewed the City policy in light of the Board's By-Laws. Attached is a "Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy" for Exhibition Place which generally follows the one adopted by Council except for modifications to language to address the particular nature of Exhibition Place.

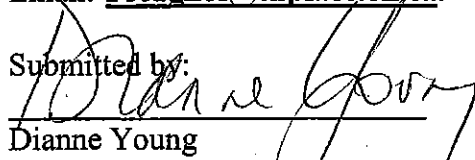
Conclusion:

This report recommends the adoption by the Board of the policy entitled "Income Tax Receipts for Cash Donations and Gifts-In-Kind Policy".

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Submitted by:


Dianne Young
General Manager & CEO



**Income Tax Receipts for Cash Donations and Gifts In-Kind
Policy for The Board of Governors of Exhibition Place**

APPENDIX "A"

(I) Purpose:

To provide a policy and procedure with respect to the issuance of income tax receipts for cash donations and "gifts-in-kind" made to the Board of Governors of Exhibition Place (the "Board").

(II) Authority:

Under the *Income Tax Act* (Canada), individuals and corporations can claim an income tax credit for certain gifts made to Canadian municipalities and their local agencies, boards and commissions. Cash and "gifts-in-kind" donations made to the Board and accepted by the Board, will result in the issuance of a tax credit by the City of Toronto.

(III) Impact:

Cash and "gifts-in-kind" donations provide an additional source of valuable assets and revenue for the Board.

(IV) Policy:

(1) Qualifying Gifts:

A gift includes a "gift-in-kind". A "gift-in-kind" is a non-cash gift. Gifts by a taxpayer that qualify for income tax credits generally include:

- (a) cash
- (b) capital property
- (c) real property
- (d) depreciable property
- (e) personal-use property, meaning:
 - (i) print, etching, drawing, painting, sculpture, or other similar work of art,
 - (ii) jewelry,
 - (iii) rare folio, rare manuscript, or rare book
 - (iv) personal papers, photographs, film, audio-tapes, artifacts
 - (v) stamp, or
 - (vi) coin.
- (f) a leasehold interest or a residual interest in real property
- (g) the inventory of a business
- (h) gifts of life insurance policies
- (i) gifts under will.

(2) Non-Qualifying Gifts:

A gift that does not qualify for income tax credit receipt under the *Income Tax Act* includes:

- a gift of services, since a gift must involve property;
- the payment of a basic fee for admission to an event or to a program. An exception to this rule is the purchase of a ticket to a fund-raising dinner, ball, concert, show or like event. In this case, the gift is considered as the difference between the fair market value of the food, entertainment etc. and the purchase price of the ticket; and
- gifts made in exchange for consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the donor's purposes.

(3) General Rule

For the purpose of tax credits made by a taxpayer under the *Income Tax Act*, a gift is a voluntary transfer of property without valuable consideration. Three conditions must be satisfied:

- some property, or cash, is transferred to the Board
- the transfer is voluntary, and
- the transfer is made without expectation of return (other than a tax receipt). 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 benefit (an item or privilege but not cash) is considered nominal value when the fair market value does not exceed the lesser of \$50.00 or 10% of the amount of the gift.

(4) Fair Market Value:

The *Income Tax Act* does not define "Fair Market Value". The generally accepted meaning is the highest price, expressed in a dollar amount, that the property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other. Valuation should be based on an arm's length sale and purchase of a similar property at or near the same date.

(5) Official Donation Receipts:

- (a) Official receipts for income tax purposes shall be authorized by the City Treasurer for eligible gifts and "gifts-in-kind" made to the Board.

- (b) Receipts shall be made in the name of the donor only.
- (c) Income tax receipts shall be issued for donations of \$10.00 or more, unless specifically rejected by the donor.

(6) For gifts of cash:

- (a) The receipt shall be in the amount of the cash donation and dated the day on which the donation was received.
- (b) Gifts of cash intended for specific purposes of the Board shall only be accepted where the Board has authorized such specific purposes and the necessary cost centre or capital project account has been established, or where appropriate, a reserve fund has been created and any necessary by-laws enacted.
- (c) Gifts of cash accompanied by a request that the Board use such monies to support certain special purposes that are being provided by an organization independent of the Board shall only be accepted and an income tax receipt issued where the Board has authorized the receipt of such donations, has given direction for the disbursement of such monies to the organization, and the City Treasurer has authorized staff to issue an income tax receipt where appropriate.

(7) For "gifts-in-kind", a receipt shall be issued only after the following conditions are met:

- (a) The "gift-in-kind" must be clearly within the interest of the Board and must provide a benefit within the context of the Board's program areas, as determined by the General Manager & CEO.
- (b) The appraisal shall be commissioned and be at the expense of the Board's Archives Services.
- (c) The appraisal must be by a qualified dealer, appraiser or other knowledgeable individual who is familiar with the market for the object or property. The dealer, appraiser or other knowledgeable individual shall not be associated with the donor.
- (d) The appraisal shall be in form and content acceptable to the City Treasurer. At the Treasurer's discretion, any appraisal not sufficient in form or 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.
- (e) The 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 object and the name and address of the appraiser, and shall be dated the day in which the Board received the gift.

(8) Gifts of Cultural Property:

Special rules exist for gifts of cultural property as established by the Canadian Cultural Property Export Review Board.

- (a) The gift of cultural property must be certified as such by the Canadian Cultural Property Export Review Board.
- (b) The donor may be responsible for making application to the Canadian Cultural Property Export Review Board for Certification of Cultural Property for Income Tax Purposes.
- (c) The income tax receipts shall be in the amount of the fair market value determined by the Canadian Cultural Property Export Review Board on the date ownership is transferred to the Board. The Canadian Cultural Property Export Review Board issues its own tax receipts.

(V) Procedure:

(1) Cash Donations

- (a) Donations may be made by an individual or corporation to the Board for a program area, capital project, or for specific purposes as authorized by the Board.
 - (b) The donation may be in the form of cash, cheque, or where available, by debit or credit card.
 - (c) Upon receipt of the funds being donated, staff shall issue evidence of payment to the donor in the amount of the donation.
 - (d) The evidence of payment shall contain the following information:
 - (i) the name and mailing address of the donor.
 - (ii) the date and amount of the donation, and whether it was by cash, cheque, debit or credit card.
 - (iii) if the donor so requests, the receipt shall indicate the appropriate program area cost centre, capital project, or specific purpose to which the donation is to be directed.
 - (e) A copy of the evidence of payment shall be sent to the City Accounting Services Division of the Finance Department.
 - (f) Upon confirmation of the deposit and review for compliance with this policy, the City Treasurer shall cause to be issued an official income tax receipt pursuant to the *Income Tax Act*, and the Exhibition Place Finance Division shall credit the appropriate revenue, capital or reserve fund account.
- (2) For donations accompanied by a request that the Board use such monies to support special purposes of an organization independent of the Board, the Board's Manager of Archives shall, prior to the deposit of any funds, report to the Board for direction in respect of the donation. The Board must make the determination that any such special purpose is in the interest of the Board. The Board must approve the receipt of such donations, the transfer of funds to such an organization by way of a grant, and the authority to issue an income tax receipt where appropriate.

(3) "Gifts-in-kind" donations:

- (a) When individuals or corporations wish to make a "gift-in-kind" donation, the appropriate Board staff shall determine: (i) whether the gift is an acceptable gift for the Board or a program area, and (ii) whether the gift may be eligible for an income tax receipt.
- (b) When the gift is not an acceptable gift for the Board or a program area, the appropriate Board staff shall advise the donor of such, and where appropriate, may direct the donor to other agencies or organizations where such a gift may be needed.
- (c) Where the gift is acceptable to the Board or a program area, but is not eligible as a "gift-in-kind" for income tax purposes under this policy, the appropriate Board staff shall advise the donor that the gift is not eligible for an income tax receipt, and shall indicate the same on any evidence of payment issued for the gift.
- (d) When the gift is eligible as a "gift-in-kind" for income tax purposes under this policy, Archives Services staff shall commission a current independent and official written appraisal of the fair market value of the gift. The written appraisal, along with the donor's name, address and phone number shall forthwith be sent to the City Accounting Services Division of the Finance Department for review. If the appraisal is satisfactory to the City Treasurer in form and content and that the appraised value represents the fair market of the gift, the City Accounting Services shall notify the donor accordingly and also notify the Board. Upon transfer of ownership of the "gift-in-kind", appropriate Board staff shall obtain documentation of the transfer of ownership and shall forward a copy of this documentation to the City Accounting Services Division of the Finance Department for issuance of an official income tax receipt pursuant to the *Income Tax Act*.