1. Purpose
The purpose of the Donation Policy is to:

- Establish who may solicit donations on behalf of Mohawk College ("College");
- Ensure that donations that are transferred from the Mohawk College Foundation ("Foundation") to the College are used for purposes stipulated by the donor;
- Establish principles involved in the acceptance, processing, tax receipting (where applicable), acknowledgement and recognition of gifts to the College and the Foundation; and
- Enhance clarity and ensure compliance with guidelines issued by the Canada Revenue Agency (CRA).

This document outlines policies and procedures governing the acceptance of donations by the College and the Foundation.

2. Application and Scope
This policy applies to all employees of the College and Foundation who solicit, accept, process, provide tax receipts, acknowledge and recognize gifts to the College and Foundation.

3. Definitions
See Appendix A for Glossary.

4. Principles
As registered charities, the College and Foundation must comply with the rules and regulations under the Income Tax Act (Canada) and the CRA’s guidelines. This policy and accompanying procedures provide detailed information on donations and include forms to enhance clarity and ensure compliance with the Income Tax Act (Canada) and guidelines issued by the CRA.

Professional and successful fundraising requires organization and discipline to ensure that a prospect is approached for a single approved project at the right point in the donation cycle and not continually and concurrently solicited by various areas within the College. Therefore,
while staff are encouraged to cultivate potential donors, it is important that individuals follow the protocols for soliciting donations that are established in this policy.

5. Accountability and Compliance

5.1 Accountability Framework
This policy has been approved by the Senior Leadership Team.

5.2 Compliance
The Chief Financial Officer of Mohawk College and the Treasurer of the Foundation are authorized to ensure that information within this policy is applied and complied with.

6. Rules

6.1 Solicitation and Collection of Donations
- The Foundation has the primary responsibility for soliciting and accepting charitable gifts for the College. No one shall solicit donations on behalf of the College or Foundation unless authorized to do so by the Foundation.
- All donations for the College are to be made to the Foundation. In the following circumstances donations should be made directly to the College instead of the Foundation:
  o Donations from Mohawk College Enterprise;
  o Gift annuities; or
  o Donor has requested the donation be made directly to the College with a receipt issued by the College.
- While the College and the Foundation will make every effort to accept appropriate gifts, both retain the right to refuse the offer of any gift.
- If a donation is made directly to the College, employees of the Foundation will still be responsible for the processing and receipting activities. The tax receipt will be issued from the College.
- An independent appraisal is required for all gifts in kind in excess of $1,000.
- Tax receipts will be provided to donors for all donations of $20 or more.

6.2 Donations to Mohawk College
- Donations received by the Foundation are subsequently flowed to the College with the exception of donations specifically requested by the donor to be retained by the Foundation. Requests are to be provided in writing, specifying donor intent and/or restrictions.
- Donations of cash and publicly traded securities do not require prior approval.
- Donations of gifts in kind should first be considered by the Foundation and then the College to determine whether there is use for the property. Donations of real estate, land and buildings requires approval by the Mohawk College Executive Group before acceptance from the donor.
- Donations with naming rights as documented in Appendix B, section P8.1 should be discussed with the Chief Financial Officer of Mohawk College to determine the eligible amount for tax receipting purposes.
• Donations of planned gifts as documented in Appendix B, section P11 should be discussed with the Chief Financial Officer of Mohawk College before acceptance from the donor.
• Restricted gifts will be used for the purposes for which they are received, and in support of the College’s mission and strategic priorities. Unrestricted gifts will be used to support the College’s greatest need.
• All donations will be recorded in the College financial records at the fair market value.

6.3 College’s Intent Regarding Donated Securities
The College will liquidate donated securities into cash as quickly as possible by selling them on the open market. The College’s investment broker will communicate to the College the value of the shares on the open market at the time of sale. This will determine the proceeds of disposition to be recorded. The College will inform the Foundation of the total proceeds available for use, which will equal the proceeds of disposition less any associated costs. Privately held company shares will not be accepted.

7. Policy Revision Date

7.1 Revision Date
September 2024

7.2 Responsibility
The Chief Financial Officer of Mohawk College and the Treasurer of the Mohawk College Foundation will review this policy every five years or earlier when required.

8. Attachments
Appendix A- Glossary
Appendix B – Donations Procedures
Attachment 1 – Mohawk College Foundation, Gifts in Kind Donation Form
Attachment 2 – Letter of Direction for Securities Transfer

9. Specific Links
CS-1005-2014 Financial Reporting and Safekeeping of Capital Assets
CS-1009-2009 Acceptance of Payment Cards
CS-1202-2011 Purchasing Policy
Appendix A
Glossary

“Adjusted cost base” is the amount originally paid for the property, plus the costs (such as legal fees or surveys) associated with the purchase, plus the cost of improvements to the property.

“Advantage” is the total value, at the time the gift is made, of all property, services, compensation, or other benefits that a person is entitled to receive in relation to the gift. The advantage may be conditional or receivable in the future, either by the donor or a person or partnership not dealing at arm’s length with the donor.

“Bequests” are property a registered charity receives from the will of a deceased person.

“Capital property” includes depreciable property, and property that, if sold, would result in a capital gain or loss. Capital property is usually bought for investment purposes or to earn income. Some common types of capital property include securities, land, building and equipment.

“De minimis threshold” or “nominal threshold” the nominal value of an advantage that is not more than $75 or 10% of the FMV of the gift, whichever is less, which is considered too minimal to affect the amount of the gift. A charity does not have to subtract these advantages from the FMV of the gift when issuing receipts.

“Donations” or “Gifts” are voluntary transfers of property owned by a donor to a donee, in return for which no benefit or consideration flows to the donor. For income tax purposes, a gift is made if a taxpayer has donative intent, and all three of the following conditions are satisfied:

(i) there must be a voluntary transfer of property to a qualified donee;
(ii) the property transferred must be owned by the donor; and
(iii) no benefit or consideration must flow to the donor. However, a gift is recognized for tax purposes in certain circumstances even though some form of benefit or consideration flows back to the donor. Under this rule, a gift can be recognized if the amount of the advantage does not exceed 80% of the fair market value of the transferred property.

“Eligible amount” is the amount by which the fair market value of the gifted property exceeds the amount of any advantage received or receivable as a result of the gift. This is the amount for which a donation tax receipt can be issued.

“Fair market value (FMV)” is the amount that would be agreed upon by informed parties dealing at arm’s length in an open and unrestricted market.

“Fundraising” is any activity that includes a solicitation of present or future donations of cash or non-cash gifts, or the sale of goods or services to raise funds, whether explicit or implied.
“Gift certificate” refers to a certificate with a clearly stated monetary value that entitles the recipient to purchase goods and/or services in the issuer’s establishment (also referred to as a gift card).

“Gifts in kind” are also known as non-cash gifts, are gifts of property. They cover items such as gift certificates, artwork, equipment and securities. A contribution of service, that is, of time, skills or efforts, is not property and, therefore, does not qualify as a gift or non-cash gift for purposes of issuing official donation receipts.

“Intangible Assets” is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when it is separable, or when it arises from contractual or other legal rights. Separable assets can be sold, transferred, licensed, etc. Examples of intangible assets include computer software, licences, trademarks, patents, films, copyrights and import quotas.

“Property” is anything tangible or intangible, moveable or immovable, that a person or an entity owns. There are two types of property:

- Real property, which is an interest in land, including the building or the improvements to them
- Personal property, which is anything other than land, includes items such as furniture, clothing, art, bank accounts and stocks

“Sponsorship” occurs when a business makes a donation toward the cost of the College or Foundation’s activity or event, and in return, the College or Foundation advertises or promotes the business’s brand, products or services.
Appendix B
Donations Procedures

P1. ROLES
The Foundation will work with all donors and recipients to ensure that the terms for all gifts can be satisfied. They will ensure relevant college employees are consulted prior to gift acceptance in light of donor stipulations, fund-matching possibilities, ongoing costs including insurance coverage and other implications.

The Foundation is primarily responsible for:
- Coordinating the solicitation of donations through prospect clearance;
- Coordinating the efforts of all areas of the College to assess a gift’s acceptability;
- Administering all donations (e.g. value, record, deposit, report);
- Issuing charitable tax receipts for donations in accordance with CRA rules;
- Acknowledging gifts of the donor;
- Administration, processing, receipting and coordination of all gifts made directly to the College;
- Directing donations to appropriate accounts established in conjunction with the College’s Finance department;

P2. DEFINING THE VALUE OF GIFTS

P2.1 Gifts
The following items are to be considered to determine if the donation received can be considered a gift. If the donation is considered a gift, a receipt can be issued to the donor.

- A gift must be given freely (voluntarily). If a gift is made as a result of a contractual or other obligation a receipt cannot be issued.
- A receipt can only be issued for a gift of property
- All or part of the donation may not qualify as a gift if the donor receives an advantage in return for a donation

P2.2 Transactions that do not qualify as Gifts
- a court ordered transfer of property
- the payment of a basic fee for admission to an event or program
- the payment for a lottery ticket or other chance to win a prize
- the purchase of goods or services from a charity
- a gift in kind for which the fair market value cannot be determined
- intangible assets where there is no outflow of economic resources by the donor
- gifts provided in exchange for advertising/sponsorship
- gifts of services (i.e. donated time, labour)
- gift certificates that the issuer donated
- pledges
- loans of property
• the lease of premises or use of a timeshare
• membership fees that convey the right to attend events, receive literature, receive services or be eligible for entitlement of any material value that exceeds 80% of the value of the payment
• a payment in lieu of paying union dues
• a gift where the donor has directed the College or Foundation to give the funds to a specified person or family member.

P2.3 Eligible amount of gifts for receipting purposes
Once it has been determined that a gift has been made, the eligible amount of that gift needs to be determined. A donor may receive a donation tax receipt for the eligible amount of the gift.

To determine the eligible amount of a gift, the foundation must know:
• the fair market value of the donated property
• the fair market value of any advantage provided to the donor

P2.3.1 Limits on Advantages
• If the value of the advantage is 80% or less of the fair market value of the donation, then a receipt may be issued for the difference.
• Where the value of the advantage exceeds 80% of the fair market value of the gift, no gift is deemed to have been made and a receipt cannot be issued.
• If the value of the advantage is not more than $75 or 10% of the fair market value of the gift, whichever is less, it is considered nominal (de minimis) and it need not be deducted from the amount of the gift for receipting purposes. In this instance, a donation receipt can be issued for the full fair market value of the gift.
  o The de minimis rule does not apply to the object of a fundraising event (for example, the meal at a fundraising dinner, or the green fees, cart rental and meal at a golf tournament). See section P4.1 for further details.
• In the event that an advantage is received in the form of cash or near cash equivalents (e.g. gift certificates, vouchers, coupons, etc.), the nominal threshold does not apply and the value of the cash or cash equivalent must be subtracted from the FMV of the donation.
• If the fair market value of the advantage cannot be determined, a receipt cannot be issued. The onus is on the Foundation to ensure that the fair market value reflected on official donation receipts is accurate.
• Examples of advantage include a ticket to an event, the use of property, a dinner or performance at a fundraising event.

P3. OFFICIAL DONATION RECEIPTS
Registered charities do not have to issue official donation receipts for gifts received. It is the policy of the College and the Foundation to only provide tax receipts for donations of $20 or more.

P3.1 Contents of an Official Donation Receipt

A) Each official receipt that the College and the Foundation issue to acknowledge a donation must contain at least the following:
A statement that it is an official receipt for income tax purposes;
Name and address on file with the CRA;
Mohawk College’s charitable registration # 10771 6029 RR 0001; or the Foundation’s charitable registration # 11924 5744 RR 0001;
Amount of gift;
Amount and description of any advantage received by the donor;
Eligible amount of the gift for tax purposes;
Serial number of the receipt;
Place or locality where the receipt was issued;
The donor’s name (first name, initial, last name) and address;
The date or year on which the donation is received. For donations received by mail, the Canada Revenue Agency will accept the date of the postmark on the envelope as the date of donation. The organization should keep the stamped envelope as part of its books and records if using the post-marked dated;
The date the official donation receipt is issued;
Signature of a responsible individual who has been authorized by the organization to acknowledge donations; and
The name and website address of Canada Revenue Agency canada.ca/charities-giving.

B) Where the donation is a gift in kind, the receipt must include the following additional information:
- A brief description of the property, and
- Name and address of the appraiser if an appraisal is completed

C) Where the donor receives an advantage, the amount and eligible amount from section A must be replaced with the following information:

Gift with advantage:
- Total value of gift received (A)
- Value of the advantage (cash/fair market value of property or services provided to donor) (B)
- Description of advantage
- Eligible amount of the gift for tax purposes (A-B)

**P3.2 Control of Receipts**
The Foundation is to guard against the unauthorized use of official receipts as follows:
- All receipts must have a serial number.
- The recording function of all receipts should be centralized and all receipts are to be accounted for.
- There must be limited restricted access to the supply of receipts.
- The Foundation is required to keep on file a copy of every official receipt issued.
- Receipts should be filed in serial number order.

**P3.3 Replacement Receipts**
A replacement receipt can be issued when an original receipt is lost or contained incorrect information. The replacement receipt shall include all the contents discussed above in P3.1.
It must also clearly show that it replaces the original receipt and, in addition to its own serial number, shall show the serial number of the receipt originally issued. For example, “this receipt cancels and replaces receipt # (serial number)”. The Foundation’s copy of the lost receipt must be retained and marked “cancelled” and reference made to the new receipt serial number.

**P3.4 Timing of Receipts**
- All receipts will be issued by February 28th of the calendar year that follows the year of donation to allow individual taxpayers to claim their donations on their annual income tax returns.
- Gifts will qualify for the calendar year receipting if they are officially received by the Foundation or College (e.g. cash receipt) or post-marked before the calendar year-end.
- All gift types must be reported within the fiscal year (April 1st to March 31st) they are received to satisfy all financial reporting requirements.

**P4. DONATIONS RECEIVED THROUGH CHARITABLE EVENTS**

**P4.1 Fundraising Events**
When a donor receives an advantage in exchange for a donation the limits of advantages (see section P2.3.1) must be applied. When the value of the advantage received is more than 80% of the value of the gift, it is generally considered that there is no true intention to make a gift, therefore, a receipt cannot be issued.

When examining charitable or like events there are two components to the advantage:
1. A benefit derived from the “main event” (i.e. meal at a fundraising dinner, concert tickets, green fees); and
2. Complimentary benefits (i.e. door prizes).

The CRA does not apply the de minimis threshold to benefits derived from the main event. Instead, the fair market value of the main event is deducted from the ticket price to determine the eligible amount of the receipt.

To determine the fair market value of the benefit derived from a main event, the value of a comparable item at a comparable facility would have to be established. If there is no reasonably comparable event, then no portion of the ticket price can be viewed as an eligible amount for receipting purposes.

**P4.2 Auctions**
There will not be an eligible amount with respect to items obtained at charity auctions on the basis that the bid determines the value of the various items put up for auction.

However, if the fair market value of the auction item is posted/made known to all bidders and the successful bid exceeds the fair market value, a donation receipt can be issued for the eligible amount where donative intent can be established, which may be the case where the posted value of the item does not exceed 80% of the accepted bid.
Items donated for sale at the auction must be valued at the time the property is received. An appraisal is required for amounts over $1,000. For items under $1,000 if the fair market value can be reasonably determined then an appraisal is not required. If the donated item is sold at the auction for less than the appraised value (receipted amount) the amount on the receipt is still acceptable as long as the appraised value is an accurate reflection of the fair market value of the property at the time it is donated. When the fair market value cannot be reasonably determined then an official receipt cannot be issued.

**P5. GIFT CERTIFICATES**
In the case of gift certificates donated, those that are donated directly from the issuer cannot be receipted as a transfer of property hasn’t taken place. An issuer is the person (individual, retailer, or business) that creates the gift certificate. For the gift certificate to be eligible, the Foundation must redeem the gift for property.

If the donor is not the issuer and has purchased or acquired the gift certificate and subsequently donates it, an official donation receipt can be issued for the eligible amount.

**P6. SPONSORSHIP**
The key differentiation between sponsorship and gift is whether any consideration is received by the donor.

If a business receives the same level or recognition as all other donors, with no special treatment, and the recognition is minimal, the Foundation can issue a receipt for the full amount of the donations.

If a business receives special recognition for its donation (i.e. banners or advertising of products) that is considered sponsorship a donation receipt cannot be issued.

**P7. GIFTS IN KIND**

**P7.1 Appraisal of Gifts in Kind**
An independent appraisal is required for gifts in kind in excess of $1,000.

The appraisal should be independent, made by an appraiser not associated with either the donor, the College or the Foundation. Dealers, appraisers and other individuals knowledgeable about the market value of the gift being donated may give an expert evaluation. The appraisal should be an estimate of the fair market value of the property as at the date of the donation. The Foundation must ensure that the fair market value reflected on official donation receipts is accurate and that all appraisals are duly signed by the appraiser.

For reporting purposes, appraisals are still required even if a tax receipt is not issued.

Where the value of the gift is $1,000 or less, the CRA will generally accept a valuation made by a staff member of the College or Foundation receiving the donation, providing the staff member is knowledgeable in the field and is qualified to establish the value of the gift.

**P7.2 Gifts in Kind Received – Deemed Fair Market Value Rule**
The deemed fair market value rule states that, under certain conditions, a receipt issued for a non-cash gift must be issued for the lesser of the gift’s fair market value and its costs to the donor (or in the case of capital property, its adjusted cost base) immediately before the gift is made. The conditions are as follows:

- The gift was donated after December 5, 2003; and
- The gift received was initially acquired by the donor as part of a tax shelter arrangement; or
- The gift was acquired less than three years before the time of donation; or
- The gift was acquired less than ten years before the time of donation, with one of the main purposes being to gift the property to the qualified donee.

The Foundation must obtain information from the donor regarding donor’s acquisition cost. The acquisition cost is the price that the donor paid to purchase the property. A receipt of purchase would substantiate the acquisition cost.

Once the acquisition cost is determined, a donation tax receipt can be issued for the lesser of:

- the acquisition cost; or,
- the actual fair market value (as determined by an appraiser or qualified individual)

Gifts exempt from the deemed fair market value rule and normally assessed at fair market value include:

- gifts made as a consequence of a taxpayer’s death;
- gifts of inventory;
- gifts of real property situated in Canada;
- gifts of certified cultural property; and
- gifts of certain publicly traded securities.

P7.3 Gifts in Kind form for internal use
Refer to the form included as Attachment 1 for requesting donor information and donation information to be authorized by the financial manager.

P7.4 Gifts of Services
No tax receipt can be issued for donated services. If a donor wishes to donate services and obtain a tax receipt, the donor must invoice the College/Foundation for the services, collect the cash and use it to make a cash donation to the Foundation.

P7.5 Gifts of Intangible Assets
No tax receipt can be issued for the donation of an intangible asset where the donor does not incur an outflow of economic resources. For example, if a company chooses to donate their computer software which was internally developed and already for sale on the market, this item would not qualify as it does not result in an outflow of resources for them to gift the software. If the company wishes to donate the software directly and obtain a tax receipt, they must invoice the College/Foundation for the software, collect the cash and use it to make a cash donation to the Foundation. The College’s purchasing policies must be followed for these transactions.
If a third party individual purchases the software from the computer company, then donates to the Foundation, this would qualify for a tax receipt. The donor would have paid for the item separately, resulting in an outflow of economic resources, in which case a tax receipt would be issued to the purchaser of the software donating the intangible asset.

If the donor doesn’t want a tax receipt, the Foundation can issue a business receipt and the donation can be included on the charity return as a gift without receipt.

P8. PARTNERSHIP AGREEMENTS

P8.1 CRA Rules for Naming Rights
Where naming rights are granted to a donor in gratitude of a gift, it must be determined if there is an advantage in respect of the gift.

- If there are no prospective economic benefits (i.e. the donor will not receive a valuable benefit) associated with the naming rights, the amount of the advantage would be nil and a tax receipt can be issued for the full value of the donation. CRA also clarifies that prospective economic benefit is determined not only from the perspective of the donor, but also in respect of any person or partnership who does not deal at arm’s length with the donor.
- Where it is determined that there is a prospective economic benefit associated with the naming rights, it would result in an advantage and the fair market value of the advantage would reduce the eligible amount of the gift.

Under circumstances where name recognition is provided to an individual and the donor’s name is not identified with a business or corporation, a prospective economic benefit does not exist as the donation is tied to an individual (rather than a business or corporation). When circumstances exist where name recognition is provided to a for-profit business or entity, there is likely a prospective economic benefit.

Where an advantage is provided, the Foundation must be able to support the basis for the determination of the amount of the advantage provided. The amount of an advantage is the fair market value of any property, service, compensation or other benefits received (or expected to be received) in gratitude for the gift by the donor. If the amount of the advantage cannot be reasonably determined, a donation receipt cannot be issued. In accordance with Income Tax Regulations, it is the responsibility of the Foundation to identify the advantage, and the amount thereof, on a receipt provided to a donor in respect of a gift.

For tax receipting of naming rights, please contact the Chief Financial Officer for further review prior to issuing a tax receipt.

P8.2 Sale of Equipment to the College for a Discounted Price
If a donor would like to sell equipment to the College at a discounted price below fair market value, a tax receipt for the difference cannot be issued.

The donor’s options are to:
A) Invoice the College for the full price of the items donated and then donate cash back to the Foundation for a tax receipt; or

B) Charge the College full price for some of the equipment and as a separate transaction donate some equipment to obtain a tax receipt for the fair market value of the donated equipment.

The College’s Purchasing Policy is to be followed under both options.

P9. PLEDGES

P9.1 CRA Rules for Issuing Tax Receipts
For a donation to qualify for an official charitable donation receipt, there must be a transfer of property. Since a pledge is merely a promise to transfer property at a later date, a pledge, itself, does not qualify for a donation receipt.

P9.2 Process of Accepting External Pledges
The acceptance of an external pledge will be initiated by the individual/corporate donor filling out the appropriate pledge form in the Foundation. The pledge form will be filed by the Foundation. Subsequent pledge payments will be made directly to the Foundation. See P12. For the process of accepting pledges via payroll deduction.

P10. SECURITIES

P10.1 CRA Rules for Issuing Tax Receipts
A donation of a security is a form of a gift in kind. Therefore, a tax receipt is issued for the fair market value of the security at the time of transfer. The calculation for fair market value for securities is based on the “transfer-in” price, as determined by the College’s broker.

P10.2 Process of Accepting Donations of Securities
Donations of securities to the Foundation can be made in two ways:

1. Electronic Donation
   To initiate an electronic donation, a donor must fax a standard letter of direction (see Attachment 2) to the financial institution that holds the donor’s securities and copying the individuals noted on the letter of intent. This letter instructs the donor’s financial institution to electronically transfer the securities in question to the College’s securities account.

   Once the securities are received by the College’s broker, he/she will notify the College that the shares have been received. A tax receipt will be issued to the donor for the fair market value of the shares as determined by the transfer-in price. The transfer-in price of the donated shares is defined as the market value of the shares on the day they are received by the College’s broker. The broker will forward information regarding the transfer-in price of donated shares to the College.

2. Physical Certificate Donation
   To initiate a physical certificate donation, a donor must sign the back of the securities certificate and transfer it to the College’s broker by courier. A faxed copy is not
acceptable since the original certificate and signature is required for the transaction to proceed. The College is also required to contact its broker and notify him/her that the certificate is on the way.

Once the securities are received by the College’s broker, the broker will notify the College that the shares have been received. A tax receipt will be issued to the donor for the fair market value of the shares as determined by the transfer-in price. The transfer-in price of the donated shares is defined as the market value of the shares on the day they are received by the College’s broker. The broker will forward information regarding the transfer-in price of donated shares to the College. Note that the process of donating securities by physical certificate may imply a different transfer-in price than if the shares were donated electronically. The donor should consider that donating shares via physical certificate will create unnecessary courier costs, which could be avoided if the donor chose the electronic transfer option. Therefore, it is recommended that the College encourage electronically transferred donated securities over physical certificates.

P10.3 College’s Intent Regarding Donated Securities
The intent of the College is to liquidate the donated shares into cash as quickly as possible by selling them on the open market. Therefore, the College’s broker will communicate to the College the value of the shares on the open market at the time of sale. This will determine the proceeds of disposition to be recorded in the College’s books. The College will inform the Foundation of the total proceeds available for use, which will equal the proceeds of disposition less any associated costs.

Following the sale of donated securities, the College’s broker will transfer the funds to the College in the amount of the proceeds of disposition less commission charged on the transaction.

P11. PLANNED GIFTS

P11.1 Definition of Planned Giving
Planned giving is a fundraising program that involves donations to serve the interests of a registered charity and that best suit the personal, financial and tax situation of an individual donor. A planned giving program seeks to attract significant gifts by identifying potential donors and helping them with the information and advice.

P11.2 CRA Rules for Issuing Tax Receipts

Bequests
When an individual names the College or the Foundation as a beneficiary in his/her will, there is no issuance of a charitable donation receipt until a transfer of property takes place. This transfer of property occurs when the individual becomes deceased and the assets in the will are distributed to the beneficiaries. At this time, a charitable receipt is issued for the donation. The amount of the receipt will depend on the type of donation, which is specified by the donor.
**Life Insurance**

A donation of a life insurance policy by an individual must be an absolute assignment of the policy to qualify for a charitable donation receipt. An absolute assignment is defined as one in which the Foundation becomes the registered beneficiary of the policy. It is important to ensure that any consent forms, required by provincial regulations, to change the registered beneficiary are completed before any charitable receipts are issued.

The donation of a life insurance policy triggers the following charitable donation receipts:

**Value of Policy**

Upon the absolute assignment of a life insurance policy, a charitable receipt is issued to the donor. The amount of the receipt should reflect the value of the policy at the time of absolute assignment. The value of the policy is calculated as the Cash Surrender Value (including any accumulated interest or dividends that are assigned) less any policy loans outstanding. The fair market value of the policy is also to be noted on the receipt.

**Subsequent Payments Made By Donor**

Any premiums paid by the donor on the life insurance policy subsequent to its absolute assignment to the Foundation qualifies for a charitable donation receipt.

**Subsequent Policy Loan Payments Paid by the Donor**

Any payments made subsequent to the absolute assignment by the donor to reduce a policy loan that was outstanding at the time of absolute assignment also qualify for a charitable donation receipt.

Subsequent premium or loan payments can be directly paid to the Foundation to cover premium or loan payments or indirectly paid to the Foundation by making payments to the insurance provider and notifying the Foundation that the payment has been made.

**Insurance Proceeds**

When an insured individual becomes deceased, the insurance company pays out the proceeds of the insurance. When the Foundation collects insurance proceeds on a policy it owns, this payment is not a gift and no receipt may be issued. This is because the policy was a gift, and was receipted accordingly at the time it was donated. But if the policy was not owned by the Foundation, and the Foundation was simply named as the beneficiary of the insurance, then the proceeds are a gift, and a tax receipt for the amount of the proceeds may be issued to the owner of the policy (usually the insured individual’s estate).

**Gift Annuities**

Only the College can enter into a gift annuity arrangement. Charitable Foundations cannot enter into this arrangement as it is deemed to be assuming debt, which is grounds for revocation of charitable status for foundations under the Income Tax Act. A donor makes an irrevocable transfer of property to the College in exchange for an annuity. An annuity is a series of consistent cash payments made to the donor for the rest of his or her life or a specified amount of time.
The tax receipt is issued to the donor for the year of the donation and is calculated as the difference between the donor’s contribution and the advantage he or she has received. The value of the advantage can be obtained by securing an independent quote for an equivalent commercial annuity contract. The value of the advantage received cannot exceed 80% of the amount contributed. Any advantage received greater than 80% will prevent a tax receipt from being issued.

The two ways to conduct the gift annuity program are:

1) Self-Insured Annuity: The College funds the cash payments to the donor directly from its own bank account. The resulting benefit to the College is determined by whatever is left over when the annuitant dies.

2) Re-Insured Annuity: The College takes the donor’s contribution and uses a portion of it to purchase a commercial annuity contract from an insurance company in order to make the payments to the donor on its behalf. The resulting benefit to the College is the difference between the amount contributed by the donor and the cost of the commercial annuity contract.

The College prefers the re-insured annuity as it allows the amount of the gift received to be determined up front as opposed to the self-insured annuity where the actual amount of the gift received cannot be determined until the death of the annuitant.

Charitable Remainder Trusts
An individual transfers property into a trust and retains a life interest in the property but makes an irrevocable gift of the residual interest to the Foundation. A donor will continue to enjoy the income generated by the trust for the rest of his/her life. Upon the donor becoming deceased, the property will transfer to the Foundation.

The CRA will consider a gift to have been made if all the requirements listed below are satisfied:

a. There must be a transfer of property;
b. It must be evident that the Foundation will eventually receive full ownership and possession of the property transferred;
c. The property must be vested with the Foundation at the time of transfer;
d. The transfer must be irrevocable;
e. The value of the residual interest is ascertainable; and
f. No encroachment on capital and any administrative fees are to be paid from income of the trust.

A tax receipt can be issued to the donor at the time the residual interest vests in the Foundation for the fair market value of the residual interest that will be received by the Foundation at a future date. The tax receipt is discounted using an appropriate time period and interest rate.

### P12. EMPLOYEE PAYROLL DEDUCTIONS

#### P12.1 CRA Rules for Issuing Tax Receipts
Charitable tax receipts will be issued for the amount donated to the Foundation through payroll deduction via T4 slip and not by issuing individual charitable receipts. Payroll Services will track the amount of donations in a given tax year and report it on the T4. Donations made by employees by other means than payroll deduction will not be reflected on the employee’s T4 slip.

**P12.2 Employee Payroll Deductions**
Employees wishing to make a payroll deduction will be required to fill out a pledge form through the Foundation.

**P13. PENALTIES IMPOSED BY THE CRA**
Official donation receipts that are issued that include incorrect or incomplete information is liable to a penalty equal to 5% of the eligible amount stated on the receipt. This penalty increases to 10% for a repeat offence within five years.

An official receipt that includes deliberately false information or where there is no gift, is liable to a penalty equal to 125% of the eligible amount stated on the receipt, where the eligible amount does not exceed $25,000. Where the eligible amount exceeds $25,000 the Foundation is liable to a penalty equal to 125% and is also liable to one year’s suspension of its charitable status.

**P14. CONTACTS FOR ASSISTANCE**

Internal
- Chief Financial Officer, Mohawk College
- Controller, Mohawk College
- Director, Development, Mohawk College
- Special Projects Analyst, Mohawk College
- Treasurer, Mohawk College Foundation
- Manager, Advancement Services, Mohawk College Foundation

External
The Charities Directorate can be contacted for assistance.
Attachment 1
Gifts in Kind Donation Form (2-sided)

NOTE: for the most current version of this form visit MyMohawk, Employees, Financial Services, Forms

THE MOHAWK COLLEGE FOUNDATION

Gift in Kind Donation Form
(Internal Use Only)

This information is required for tax receipt, audit and insurance purposes.

DONOR INFORMATION:

NAME: ____________________________________________________________

TITLE: ____________________________________________________________

COMPANY: _______________________________________________________

ADDRESS: ________________________________________________________

CITY: ___________________ PROVINCE: ___________________ POSTAL CODE: __________

TELEPHONE: ___________________ E-MAIL ADDRESS: ___________________

RELATIONSHIP TO COLLEGE: ADVISORY ☐  FACULTY ☐  OTHER ☐

DONATION INFORMATION/VERIFICATION OF VALUE:

DONATION DESCRIPTION: ____________________________________________

______________________________________________________________

SERIAL NUMBER(S): ____________________________________________

LENGTH OF TIME PROPERTY OWNED BY DONOR (SEE REVERSE SIDE FOR VALUATION RULES):

☐ LESS THAN 3 YEARS ☐ GREATER THAN 3 YEARS

ACQUISITION COST: $_________  FAIR MARKET VALUE: $_________

FAIR MARKET VALUE: $_________

DATE DONATION RECEIVED BY FOUNDATION: ________________________________

AREA DONATION UTILIZED (PROGRAM/STUDENTS): ___________________________

LOCATION OF EQUIPMENT (DEPT.): __________________________________________

ROOM #: ___________________ ORG #: ___________________

FINANCIAL MANAGER SIGNATURE: ___________________ DATE: ___________________

TAX RECEIPT REQUIRED: ☐ YES ☐ NO

SOLICITED BY: ___________________________________ TELEPHONE: __________

Please return to the Foundation Office, Fennell Campus N-Wing

MCF.101K.updated 1A/Nov.2018
**Donation**  
Verification of Value of Gifts in Kind

**FOR GIFTS UNDER $1,000:**
Where the value of the gift is $1,000 or less, the Canada Revenue Agency will generally accept a valuation made by a staff member of the charity receiving the donation, providing the staff member is knowledgeable in the field and is qualified to establish the value of the gift.

- Please complete form on the reverse and sign the verification of value, and return the form to the Foundation Office, Fennell Campus N-Wing.

**FOR GIFTS IN EXCESS OF $1,000:**
A written independent appraisal is required by the Canada Revenue Agency for a gift of property in excess of $1,000.

- Please arrange for one written independent appraisal for the gift. The appraisal must be made by an appraiser not directly associated with either the donor or the recipient charity. The appraisal should be an estimate of the fair market value of the property as at the date of the donation.
- If there is a significant discrepancy between the appraised value and donor’s expectations, then a second appraisal is warranted.
- The written appraisal should be on company letterhead, contain the description and value of the gift, with a signature of a signing official.
- Please forward the written appraisal to the Foundation Office, Fennell Campus N-Wing.

**FOR GIFTS OF PROPERTY OWNED BY THE DONOR FOR LESS THAN 3 YEARS:**

- Please obtain documentation from the donor that substantiates donor’s acquisition cost (i.e. receipt of purchase).
- The acquisition cost becomes the ‘deemed fair market value’ for the property in question. A donation receipt can be issued for the donation for the lesser of ‘deemed fair market value’ and the actual fair market value of the property.
- Please forward the related documentation to the Foundation Office, Fennell Campus N-Wing.

**When accepting gift in kind donations be mindful of the following:**

- Donor selected appraiser
- Same person preparing all the appraisals for a particular donor
- Inflated market value
- Appraiser is a subsidiary of a large corporation
- Donations of property recently acquired by the donor

**Appraisals are still required even if a tax receipt is not issued.**

For more information and detailed Canada Revenue Agency guidelines, please contact extension 3781  
Foundation Office, Fennell Campus N-Wing
Attachment 2
Letter of Direction for Securities Transfer

Date: _______________________

To Your Institution: _____________________________________________________________

Address: ______________________________________________________________________

City: _________________________________________________________________________

Re: Account of Delivering Institution: _____________________________________________

This letter will confirm the authorization to transfer: Quantity: _______________________

of Security (Please provide CUSIP if possible): ________________________________

To: CIBC Mellon  Custodian Account: TDQF1100002

Please credit account TD PIC Account MC1480 in the name of Mohawk College of Applied
Arts & Technology (Donation Account).

If you have any questions, please do not hesitate to contact us at Mohawk.

Donor Signature                  Please Print Name

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