

Gift Valuation and Tax Receipting Policy

1 – Policy Overview

This policy outlines United Way Greater Toronto's (UWGT) valuation methods and tax receipting policy for all gifts. UWGT will, in all cases, value and receipt gifts based on Canada Revenue Agency (CRA) criteria and guidelines, while providing the donor with fair and equitable valuation and the appropriate tax benefit for their gift.

2 – Definitions

- 2.1 **Unrestricted Gift** – an unrestricted gift is a donation to UWGT without restriction by the donor. Unrestricted gifts will be directed to UWGT's area of greatest need as determined by the UWGT Board of Trustees, with recommendation from the UWGT Senior Executive Team.
- 2.2 **Restricted Gift** – a restricted gift is a donation to UWGT, where the donor has specified that the gift is subject to restrictions, limitations, conditions, terms of reference, directions or other restricting factors that would constrain or limit UWGT in how the gift can be used.
- 2.3 **Designation Gift** – a designation gift is a donation to a registered Canadian charity through UWGT.
- 2.4 **Cash** – cash itself, cheque, credit card donations and payment of pledges by similar means.
- 2.5 **Gift of Securities** – gift of assets like stock, bonds and/or mutual funds. Includes stock options which is the right, but not the obligation to purchase a specified number of shares in an enterprise at a pre-determined price over a specific period of time.
- 2.6 **Gift of Crypto-Currency** – any form of currency that exists digitally or virtually, and uses cryptography to secure transactions, e.g. Bitcoin (BTC), Ethereum (ETH), Tether (USDT).
- 2.7 **Gift of Non-Fungible Token (NFT)** – a digital asset that represents real-world objects like art, music, in-game items and videos. They are bought and sold on-line – frequently with crypto-currency.
- 2.8 **Gift of Bequest** – a gift received from the estate of a deceased individual or as memorials to an individual who has passed away.
- 2.9 **Term Life Insurance** – life insurance policy that provides coverage at a fixed rate of payments for a limited period of time. After that period expires, coverage at the previous rate of premiums expires, and the life insurance policy holder must either forego coverage or potentially obtain further coverage with potentially different payments or conditions.

Gift Valuation and Tax Receipting Policy

- 2.10 **Whole Life Insurance** – life insurance policy which is guaranteed to remain in force for the insured’s entire lifetime, provided required premiums are paid, or to the maturity date. Premiums are fixed, based on the age of the insured when established, and usually do not increase with age.
- 2.11 **Endowment Gift** – a fund maintained within The Tomorrow Fund™, which holds all endowment gifts. An endowment gift requires that the principal (capital corpus) be held intact in perpetuity.
- 2.12 The fundamental objective of the Tomorrow Fund™ is to gather and maintain the principal, the earnings and growth from which will sustain key initiatives of UWGT.

3 – Guiding Principles and Directives

- 3.1 UWGT’s decisions to accept a gift will be guided by the following fundamental principles:
- **Legality** – ensuring that all decisions conform to legal requirements of charities, including CRA criteria and guidelines.
 - **Consistency** – ensuring that all decisions advance the vision, mission and core values of UWGT.
 - **Reputation** – ensuring that no decision will, or will have the potential to, bring harm to the reputation of UWGT.

UWGT will protect its integrity, autonomy and values when accepting gifts. Gifts will not be accepted by UWGT when a condition of such acceptance would compromise these fundamental principles.

Any gift that presents potential risks to UWGT shall be discussed with the Chief Financial & Operating Officer and the Vice-President, Philanthropy & Marketing who shall, if considered necessary, obtain appropriate direction from the President & Chief Executive Officer and members of the Board of Trustees or suitably qualified professionals.

- 3.2 UWGT is responsible for receiving, recording, receipting (if and when applicable), and recognizing all gifts.

UWGT ensures that efficient administrative, legal and accounting practices are followed in the acceptance of all gifts – and that those gifts are receipted in accordance with Canada Revenue Agency (CRA) criteria and guidelines, and that all gifts are handled and recognized in a consistent manner.

- 3.3 Charity Accounting Act.

- 3.4 CRA Criteria and Guidelines.

Gift Valuation and Tax Receipting Policy

4 – Valuation by Gift Type

4.1 Cash

Cash – including Gifts of Cash or Gifts made by Cheque or Credit Card, is valued at face value minus any benefit-advantage derived by the donor in accordance with CRA criteria and guidelines.

Year-end gifts will qualify for current tax-year receipts if they are postmarked in the current calendar year or officially received within the current calendar year.

Generally, tax receipts will be issued automatically for all cash gifts made through UWGT's online giving platforms. For offline gifts, tax receipts will be issued for a minimum donation of \$25. Donors making an offline donation below this amount may receive a tax receipt upon request.

4.2 Gift of Securities

Donors may make a donation in the form of a transfer of ownership of publicly-traded securities or gifts of private-owned shares and partnership interests.

Per the Gift Acceptance & Designation Policy, UWGT will conduct appropriate due diligence on these assets prior to acceptance, including a comprehensive valuation. UWGT may ask the donor to obtain an independent valuation, at the donor's expense. Alternatively, UWGT may obtain its own valuation at the donor's expense. UWGT reserves the right to accept or reject the independent valuation.

UWGT applies the closing price on the day of the donation in determining the Fair Market Value (FMV) of the Gift of Securities – this practice provides certainty to both the donor and UWGT. As such, it does transfer the risk of market fluctuations until disposal of the Gift of Securities is complete to UWGT – to be clear, UWGT carries the potential gain and bears the potential loss when disposing of the Gift of Securities. Additionally, UWGT needs to recognize donors for their gifts, and the clarity of establishing the value of the Gift of Securities, supports this need.

4.2.1 Publicly-Traded Securities

- All gifts are recorded at market value on the date that UWGT obtains control over them. Control is defined by receipt of the securities in UWGT's brokerage account.
- For shares which are electronically transferred, the receipt will be based on the closing value of the security on the day it is received in UWGT's brokerage account.
- Market value is defined as the closing market price on the Toronto Stock Exchange or the relevant exchange where the security is traded. Should the value of the stock rise or fall prior to UWGT selling it, the donor will neither benefit nor be disadvantaged.
- For share certificates, the receipt will be issued based on the day the certificate, signed by the donor, is delivered to UWGT. If sent by mail, valuation will be based on the date the mail is officially received at UWGT. If the securities are re-registered in advance in UWGT's name by the issuing company and



Gift Valuation and Tax Receipting Policy

then delivered, the date which UWGT receives the certificates will be used for valuation. A donor's receipt will not be reduced by the value of sales commissions.

- UWGT reserves the right to refuse to accept gifts of securities from a donor. See the Gift Acceptance & Designation Policy for more details.

4.2.2 Non-Publicly Traded Securities (Private Company Shares)

- UWGT shall only accept shares in non-publicly traded companies registered in Canada – to be clear, shares in non-publicly traded companies registered outside of Canada are not accepted.
- Donation of shares in a non-publicly traded company require careful valuation and may require the engagement of a professional valuator. It is also quite likely that shares of this nature are illiquid and will take time to sell. The valuation will allow for such risks. Additional security attaching to the donation of the shares may be required by UWGT in the event that the expected date of liquidating the shares is protracted.

While UWGT welcomes donors to make donations in the form of shares in this category, the following shall apply with an abundance of caution:

- The Director-Strategic Finance shall be responsible for ensuring:
 - The requirements for acceptance are discussed with the donor.
 - The valuation is conducted appropriately.
 - Share certificates are properly received and all rights are transferred.
 - The shares are sold in a timely manner.
- The Chief Financial & Operating Officer shall decide whether to accept or decline the donation of such shares.
 - Shares can only be accepted if research reveals a ready indirect market for underlying assets or direct market for shares with likely potential buyers.
- UWGT shall engage the services of an appropriate brokerage house to assist in the valuation and disposal of such shares.
- The valuation exercise is to be free of any influence by the donor or related persons.
- The costs of the valuation exercise shall be borne by the donor.
- The market value of the shares shall if considered necessary, be discounted for the expected time taken to sell the shares – or in the event the underlying assets are to be sold, the market value of the shares shall be discounted for any unrealized tax liability associated with such a sale.
- In the event that the shares may only be sold more than 3 months after acceptance, UWGT shall require additional security to support the market value.
- The basis of establishing the fair market value, including any discounts – as used for tax receipt purposes, shall be made clear to the donor.

Gift Valuation and Tax Receipting Policy

4.2.2 Stock Options

- Stock options can be offered to UWGT by either individuals or by corporations and could be for either publicly traded or non-publicly traded companies. Due to the volatility in the market prices of options of publicly traded companies – or in the case of non-publicly traded companies, restrictions on the liquidation of stock options, these present difficulties in valuation. Accordingly, each offer of such a gift must be carefully considered.
- UWGT shall only accept stock options of companies registered in Canada. Stock options in companies registered outside of Canada are not accepted.
- While UWGT welcomes donors to make donations in the form of stock options in publicly traded or non-publicly traded companies, the following shall apply with an abundance of caution.

Gift of Stock Options in publicly traded companies by an Individual

- While a market exists in Canada for the trading of options in publicly traded shares, the volatility of prices in these instruments is significant, making valuation difficult.
- In many cases, stock options are provided to employees of a company as a part of their compensation. Such options often carry restrictions on their sale. In cases of employee stock options, the Director-Strategic Finance shall ensure that:
 - The stock option plan allows the employee to exercise the options and have the underlying shares donated to UWGT through the plan.
 - In the absence of this, UWGT will request that the employee first exercise the options and then donate the underlying shares. The valuation and disposal of the underlying shares are then conducted in accordance with the acceptance process governing the Gift of Publicly Traded Securities.
- In cases where the stock options are not part of an employee compensation plan, UWGT will request that the donor first exercise the options and then donate the underlying shares. Note that this applies even if the stock options themselves are traded on a prescribed stock exchange.

Gift of Stock Options in publicly traded companies by a Company

- The Income Tax Act allows companies to make gifts of stock options to charities at the time of making a public offering (IPO). Restrictions may apply to the exercise of these options, and an expiry date is usually defined. While UWGT may accept the award of these options, they have no value to UWGT until the time they are exercised and associated shares subsequently sold. No tax receipt is to be given at the time of accepting the options.

Gift of stock options in non-publicly traded companies

- All offers of stock options in a non-publicly traded company shall be considered for acceptance by the Chief Financial & Operating Officer who shall consider the need for engagement of tax, legal and/or financial advisors as required.

Gift Valuation and Tax Receipting Policy

4.3 Gift-in-Kind

Excluding the Gift of Securities which is described in the previous Section, a gift-in-kind is defined by the Canada Revenue Agency (CRA) as a gift of tangible property such as real estate, books and collections including art, products or equipment. A gift that is transferred to UWGT without expectation of benefit is considered charitable in nature and may qualify for a tax receipt.

Before accepting a gift-in-kind, the gift will be reviewed to see if it meets UWGT's charitable mandate. UWGT may decline a gift that does not further the organization's charitable mandate or that involves special maintenance or conditions that UWGT is unable to satisfy.

The following gifts-in-kind do not qualify as charitable donations under the Income Tax Act:

- Gifts of professional or personal services of an individual.
- Gifts by a company of its principal product or service. Such gifts are considered promotional expenses rather than charitable donations under the Income Tax Act.
- A payment for a lottery ticket or other chance to win a prize is not a gift.

If a receipt is being issued for a non-cash gift, it must reflect the Fair Market Value (FMV) of the gift. When the FMV at the time of donation, of either a non-cash gift or of an advantage cannot be determined, an official donation receipt cannot be issued. CRA puts the onus on charities to ensure that the FMV reflected on official donation receipts is accurate.

For the purposes of determining the eligible amount of a gift, the FMV of a property that is the subject of a gift made by a donor is deemed to be the lesser of: (i) the FMV of the property otherwise determined, and (ii) the cost – or in the case of a life insurance policy in respect of which the donor is a policy holder, the “adjusted cost basis” of the property to the taxpayer immediately before the gift is made if either:

1. The donor acquired the property under a gifting arrangement that is a tax shelter; or
2. Except where the gift is made as a consequence of the donor's death, either (i) the donor acquired the property less than three years before the day that the gift is made, or ii) the donor acquired the property less than 10 years before the day that the gift is made and it is reasonable to conclude that, at the time the donor acquired the property, “one of the main reasons” for the acquisition was to make a gift of the property to a qualified donee.

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 cost to the donor (or in the case of capital property, its adjusted cost base) immediately before the gift is made – known as the Deemed FMV. The conditions are as follows:

- The gift was donated to the charity after December 5, 2003.
AND
- The gift received by the charity was initially acquired by the donor as part of a tax shelter arrangement; or

Gift Valuation and Tax Receipting Policy

- 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 a qualified donee – e.g. a registered charity.

Where a donor receives an advantage in exchange for a gift, UWGT must assess an accurate figure for the FMV of that advantage. UWGT will usually deduct the FMV of any advantages from the FMV of gifts to determine if there is an eligible amount of a gift for receipting purposes. Per CRA criteria and guidelines, if the value of advantage a donor receives is greater than 80% of the FMV of the gift itself, then no donation receipt can be issued. UWGT will also assess if certain advantages for certain types of gifts are of nominal value and considered too minimal to affect the value of the gift.

4.3.1 Gift of Crypto-Currency & Gift of Non-Fungible Token

When it is being donated to a charity, crypto is considered by the CRA to be a gift-in-kind and therefore, all the rules that apply to Gifts-In-Kind – including the deemed fair market value rules, apply to crypto-currency. UWGT will need to be aware of the cost of acquisition if the crypto-currency was acquired in the last 3 years before the donation because of the deemed fair market value rules.

While under review, UWGT does not currently accept Gifts of Crypto-Currency.

4.3.2 Gift of Non-Fungible Token

NFT approach to come as CRA criteria and guidelines are defined. While under review, UWGT does not currently accept Gifts of Non-Fungible Token (NFT).

4.3.3 Gift of Real Estate

UWGT may accept Gifts of Real Estate.

The donor shall secure at least one qualified appraisal of the property. UWGT will also obtain an independent appraisal and reserve the right to obtain multiple appraisals.

4.3.4 Gift of Personal Property

Documentation of gifts that are not readily or easily valued must be valued in accordance with CRA criteria and guidelines.

All Gifts of Personal Property that are not Gifts of Cash or Gift of Securities will be valued at Fair Market Value (FMV) on the date UWGT takes control of them. FMV is the highest price that the property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are knowledgeable, informed, prudent, and acting independently of each other. FMV does not include any amounts paid or payable to other parties, such as commissions to sales agents or sales taxes like GST or HST.

Gift Valuation and Tax Receipting Policy

For gifts over \$1,000 that require a charitable tax receipt, evidence to support the FMV would include some or all of the following:

- Purchase invoice or other proof of purchase.
- Independent third-party valuation of the item (appraisals must be less than one year old) by a professional qualified to make the appraisal. UWGT reserves the right to obtain, at its expense, its own appraisal in addition to the donor's appraisal. The appraised amount should be equal to the price that the property would obtain in an open market between a willing buyer and a willing seller who are both knowledgeable, informed and prudent and who are acting independently of each other.
- Current price list for the item at a recognized commercial enterprise operating independently of the donor.

For gifts under \$1,000 that require a charitable tax receipt, a UWGT staff member must be able to perform such valuations that can establish FMV. As a minimum, an original invoice should be obtained as supporting documentation.

A Gift-in-Kind which does not require a charitable receipt, can have a business receipt issued as appropriate. However, although the business receipt is not required to adhere to CRA criteria and guidelines, similar valuation criteria should be applied.

Should UWGT be unable to determine a FMV for the gift-in-kind, no tax receipt will be issued.

4.4 Tickets for a Dinner, Show or Live Event

There may be instances when a portion of the ticket paid for a fundraising event may be eligible for a tax receipt. UWGT will usually deduct the Fair Market Value (FMV) of any advantages to determine if there is an eligible amount of a gift for receipting purposes. Per CRA criteria and guidelines – if the value of advantage a donor receives is greater than 80% of the FMV of the gift itself, then no charitable or business receipt can be issued.

4.5 Planned or Deferred Gifts

Gifts of Bequest are valued as cash, marketable securities or real and personal property in the manner described above. Gifts of Securities arising from a Gift of Bequest shall be valued in accordance with existing CRA criteria and guidelines.

For Gifts of Life Insurance – if UWGT is named both the beneficiary and irrevocable owner of the Life Insurance Policy, a gift is recorded at the Cash Surrender Value (CSV) or Fair Market Value (FMV) of the policy on the date that it is given. If the donor pays premiums on such a policy, these payments will be recorded as a gift at the cash value of the payment. If the donor wishes the policy to be valued at its FMV, the donor shall obtain an independent actuarial valuation.

UWGT may also issue a donation receipt for the FMV of the Life Insurance Policy. If the donor wishes to obtain a receipt for the FMV, they must – at their own cost, obtain an independent actuarial valuation of

Gift Valuation and Tax Receipting Policy

the policy. It is at the UWGT's discretion to accept this valuation. UWGT also reserves the right to retain its own valuation.

4.6 Alternative Gifts

4.6.1 Gift Annuity

A Gift Annuity is a contractual arrangement whereby a donor transfers assets to UWGT pursuant to an agreement authorizing UWGT to purchase a commercial prescribed annuity that will pay a stipulated amount for the life of the annuitant(s) or for a term of years.

Determination of the gift valuation and tax receipting plus taxation of annuity payments, will be in accordance with CRA criteria and guidelines.

4.6.2 Charitable Remainder Trust

A Charitable Remainder Trust is a residual interest gift where the donor transfers property to a trustee. The donor receives the net income from the Trust, and the Trust remainder is distributed to UWGT. If the Trust meets all requirements, the donor is entitled to a gift receipt for the present value of the residual interest. UWGT will consult with its tax, legal and/or finance advisors prior to issuing a tax receipt for the present value of the residual interest.

A Charitable Remainder Trust may be funded with Cash or Gifts of Securities. The size of the Trust must exceed \$100,000.

4.7 Other Gifts

Other types of gifts not addressed above will be reviewed by UWGT on a case-by-case basis before the gift is accepted. In approving these gifts, consideration will be given to the size of the gift, its impact, the financial liability (if any) and possible risks (financial, reputational, brand) to UWGT. These gifts will be reviewed and approved by the Director-Strategic Finance and/or Chief Financial & Operating Officer.

5 – Related Policies

- Code of Conduct & Ethics Policy.
- Conflict of Interest Policy.
- Signing Authority Policy.
- Gift Acceptance & Designation Policy.
- Fundraising Policy.
- Donor Recognition Policy.
- Endowment Policy.
- Risk Management Policy.
- Privacy Policy.
- Information Security Policy Framework.

Gift Valuation and Tax Receipting Policy

6 – Related Procedures

- Campaign Guide(s).
- Gift of Securities Processing.
- Gift of Crypto-Currency Processing.
- Gift of Non-Fungible Token (NFT) Processing.
- Gift of Bequest Processing.
- Life Insurance Processing.
- Endowment Gift Processing.
- Alternative Gifts Processing.
- Restricted Gift Processing.
- Designation Gift Processing.
- Return of Gift Processing.

REVIEW PROCESS