McMASTER UNIVERSITY

Complete Policy Title: Charitable Giving Policy and Procedural Guidelines

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POLICY

1. Approval of Fundraising Activities

Policy

Decisions regarding fundraising priority setting are the responsibility of the President and Vice-Presidents acting on the recommendation of the Provost and Deans or the exclusive responsibility of the Provost in consultation with the Vice President, University Advancement. No fundraising or sponsorships (even when charitable receipts are not required) should occur without this approval and the approval of the prospect clearance committee. For information on the approval policy to undertake fundraising see the Prospect Clearance Policy.

2. Issuance of Official University Receipts

Policy

McMaster University will issue an official receipt for donations that qualify as charitable gifts. The University will not consider a gift to qualify as a charitable donation if the donor will receive direct benefit from the gift. This includes gifts made by individuals to specific research or other accounts over which the donor has control of signing authority.

Charitable receipts will normally be dated as of the day the cheques are received by University Advancement. Cheques which are received in January qualify for a charitable tax receipt which is back-dated to December of the year before if:

1. the postmark on the outer envelope is December 31st of the prior year or earlier, and
2. the cheque is dated December 31st of the prior year or earlier.

Rationale

McMaster University has been issued a Charitable Registration Number by Revenue Canada which permits the University to act as a not-for-profit charitable organization. The ability to receive gifts and issue receipts is governed by Revenue Canada, federal and provincial statutes, and University policy. A gift, for purposes of the Income Tax Act, is a voluntary "transfer of property" for which the donor expects and receives nothing of value in return.
**Guidelines for Implementation**

When a gift is received by the University, it will be the responsibility of the University Advancement to ensure that the gift is acceptable to the University (that it is in support of University aims, objectives, or collection policies) and that the donation qualifies as a "charitable gift".

If University Advancement, following internal consultation, is uncertain as to whether a donation qualifies as a charitable gift, a ruling will be sought in the following order: from a tax partner of the University's external auditors, from the University's legal counsel, from Revenue Canada. This ruling will be adhered to by University Advancement when issuing the official receipt.

Revenue Canada Taxation requires that charitable tax receipts be made out in the following manner:

1. If the cheque is drawn on a personal account, the charitable tax receipt must be issued to the person who signed the cheque. However, if the cheque-signer is not on the University Advancement computer system but is the spouse of an existing entity on the system, then the donation is entered into the existing record, rather than creating an additional record for the cheque-signer. (This action is facilitated by Revenue Canada's policy which allows either spouse to claim the benefit from donations made as a family.)

If the individual who signed the cheque states in writing that the contribution was made by another party and that the cheque-signer is only forwarding funds on to the University, the receipt is issued to the specified donor.

2. If the cheque is drawn on a corporate/business/organization account, the charitable tax receipt must be issued to the corporation/business/organization, not to the person who signed the cheque.

If an individual makes a donation via a corporate cheque when the donation was actually from a personal account held by the company, the individual has two options available:

1. The individual can claim the donation for his/her personal income tax purposes, sending to Revenue Canada Taxation copies of the documentation to prove that the donation was debited from his personal account. In this case, the individual would be subject to a ruling from Revenue Canada Taxation as to whether or not they would accept the donation as a personal tax credit.

2. The corporation can claim the donation on their own behalf, and then issue the individual a T4A slip, which the individual can use as a claim to offset his/her personal income.

If a corporation/foundation/association acts as a collection agent for the University thereby gathering donations for a specific purpose, they will supply the University with a complete list of names, addresses and individual donation amounts. The University will in this case issue tax receipts to each donor.

See Section 9 for the policy on donation of funds by employees for equipment, and Section 10 for the policy on donations of funds by employees for research and other purposes.
3. Confidentiality of Information

Policy

All information pertaining to donors and donations received by McMaster University is considered confidential. The Executive Officers, University Advancement staff, Fund Administrators and Treasury Operations staff may have access to information on a "need-to-know" basis. Only the Vice President, University Advancement, Associate Vice President, University Advancement or Directors of Development may approve the release of donor information to those where the "need-to-know" has been established. The Director of Alumni Advancement must approve the use of the alumni information for any purposes of communication to alumni.

Information on bequests received by the University is also held by Treasury Operations. The Treasurer or Vice President, University Advancement may approve the release of bequest information.

Rationale

Charitable giving is normally a personal and sensitive issue. To ensure the privacy of donor information it is necessary to control access to donor and donation information.

Guidelines for Implementation

University Advancement maintains records on all donors and donations received by the University.

A donor may request that his/her gift and/or all information pertaining to that gift remain anonymous.

Summary information may be provided on total donations received for special projects or funds. Requests for such information should be directed to the appropriate Director of Development.

University Advancement may recognize donors to the University by publishing their names in special reports, unless otherwise denied by the donor or the University.

4. Treatment of Gifts

4A. Gifts of Cash

"Cash" may include bank notes, cheques, money orders, currency or other legal tender.

4Ai. Receipt of Monetary Donations

Policy

Cash donations which are received by McMaster University and which require an official receipt may be deposited only by the Advancement Services.
Gifts of currency should be accompanied by correspondence signed by the donor to indicate:

1. the donor's name,
2. the donor's address, and
3. the amount of the contribution.

**Rationale**

Advancement Services has been designated as the only outlet for official donation receipts and therefore must receive and deposit all gifts to maintain cash controls.

Obtaining relevant correspondence with gifts of currency will ensure that the tax receipt is correct and issued to the appropriate party, avoiding the situation whereby the donor claims (after the fact) that the tax receipt should have been made out to some other donor (eg. the tax receipt was made out to a corporation, but the donor claims it was a personal donation).

**Guidelines for Implementation**

Advancement Services deposits cash each day, prepares official receipts and acknowledgement letters, and records the gifts. Receipts may be issued at any time after the gift is received. However, the receipt must be issued by February 28th of the following year, in compliance with Revenue Canada's regulations.

The receipt must state that it is an official donation receipt for income tax purposes and include the following information:

- "McMaster University" and the University's address;
- the University's charitable registration number;
- the serial number of the receipt;
- if it is a cash donation, the date the donation was received;
- if the donation is a gift of property other than cash a. the day on which the donation was received, b. a brief description of the property;
- the day on which the receipt was issued (if that day differs from the date on which the donation was received);
- the name and address of the donor, including, in the case of an individual, the first name and initial;
- the amount of a cash donation, or if the donation is a gift of property, the fair market value of the property at the time the gift was transferred; and
- the signature of a responsible individual who has been authorized by University to acknowledge donations.

Receipts may bear a facsimile signature if they are:

- distinctly imprinted with "McMaster University" and the University's address,
- serially numbered by a printing press or number machine.

Funds are deposited into a University Advancement holding account, not directly to departmental accounts. In recording the gift, the following information is noted:

1. Campaign: Whether the gift was given as part of McMaster's annual fund raising programme or a special campaign.
2. Designation: Gifts may be undesignated, broadly designated or specifically designated.

a. Undesignated: Donations for which the donor has indicated the gift is unrestricted, or for the University's greatest needs, or where the donor has not indicated any designation.

b. Broadly Designated: Donations for which the donor has indicated a general area to which the gift is to be designated, such as a faculty, department, library or general research. There is some discretion by the University on the expenditure of the gift.

c. Specifically Designated: Donations for which the donor has indicated a specific purpose or designation, such as a particular research project, departmental equipment purchase, memorial fund, specific scholarship fund or special project.

Should the gift be broadly or specifically designated, University Advancement notifies the appropriate Faculty Dean, Department Chair or Administration Head of the receipt of the gift. University Advancement records the Business Office account to which the gift will eventually be directed. If there is not an appropriate Business Office account, University Advancement ensures that the Dean/Chair/Head who will be responsible for the funds sets up an appropriate Business Office account and notifies University Advancement of the account number as soon as possible. Advancement Services ensures that the allocation to which the gift is recorded is directly linked to the appropriate Business Office account.

On a weekly basis, Advancement Services transfers gifts from the general holding account to the appropriate campaign revenue accounts.

4Aii.

Release of Monetary Donations

Policy/Rationale/Guidelines for Implementation

The University recognizes both the need to make private donations available to support the work of the Faculties, Departments and support operations and the fact that there is a cost in raising private funding. Unless University Advancement receives written correspondence from the donor or faculty contact stating that the project/fund has been or will be incurring immediate expenditures, donations are assumed to be broadly, rather than specifically, designated. Gifts are released from the revenue accounts, depending on whether the gift was for the Annual Fund or a Capital Campaign, as follows:

Annual Fund

1. Undesignated: Gifts which are not designated for any broad or specific purpose are accumulated during the calendar year for allocation by the President's Budget Committee in consultation with the Policy and Planning Committee for expenditure in the fiscal year starting the next May 1. Any interest earned on such funds is first used to offset the cost of fundraising. Transfer of funds is carried out by the Director of Finance.
2. Broadly Designated: Donations with broad designations are accumulated during the calendar year for expenditure in the fiscal year starting the next May 1. Deans, Vice-Presidents or others responsible for broadly designated areas (faculties, departments, library, general research, etc.) receive, by April of the following year, a report on funds available, and may request funds to be transferred by submitting a memo (see Appendix I) to Advancement Services indicating how the funds will be used. The Dean/Chair/Head is responsible for the proper administration of transferred funds. Any interest earned on such funds is first used to offset the cost of fundraising. Funds may not be released without the approval of the President.

3. Specifically Designated:

   a. Trust Funds: Donations directed to approved memorial funds, scholarships, bursaries or other projects for which a trust fund has been created are transferred on a monthly basis by Financial Services. Designated reports produced by Advancement Services for Financial Services indicate the trust fund account to which the funds should be transferred. The Trust Fund Administrator is responsible for the proper administration of transferred funds. Funds may be released with the approval of the Director of Finance.

   b. Research Projects/Projects with Immediate Expenditures: Donations designated to research projects and/or projects where there are immediate expenditures set out in the proposal document are transferred by Advancement Services on receipt of a memo (see Appendix I) requesting the transfer and indicating how the funds will be used. If the requestor has signing authority over the account to which funds will be transferred, the memo must be co-signed by the Dean or appropriate Vice-President. The signing authority is responsible for the proper administration of transferred funds. Funds may not be released without the approval of the President.

Capital Campaigns

1. Undesignated: Gifts which are not designated for any broad or specific purpose are accumulated during the fiscal year for allocation by the President's Budget Committee in consultation with the Policy and Planning Committee for expenditure on a slipped-year basis. For example, any donations between May 1, 1991 and April 1, 1992 may be released May 1, 1993. Any interest earned on such funds is first used to offset the cost of fundraising. Transfer of funds is carried out by the Director of Finance.

2. Broadly Designated: Donations with broad designations are accumulated during the fiscal year for expenditure on a slipped-year basis (see above example). Deans, Vice-Presidents or others responsible for broadly designated areas (faculties, departments, library, general research, etc.) receive, by April of the following year, a report on funds available, and may request funds to be transferred by submitting a memo (see Appendix I) to Advancement Services indicating how the funds will be used. The Dean/Chair/Head is responsible for the proper administration of transferred funds. Any interest earned on such funds is first used to offset the cost of fundraising. Funds may not be released without the approval of the President.

3. Specifically Designated:
a. Trust Funds: Donations directed to approved memorial funds, scholarships, bursaries or other projects for which a trust fund has been created are transferred on a monthly basis by Financial Services. Designated reports produced by Advancement Services for Financial Services indicate the trust fund account to which the funds should be transferred. The Trust Fund Administrator is responsible for the proper administration of transferred funds. Funds may be released with the approval of the Director of Finance.

b. Research Projects/Projects with Immediate Expenditures: Donations designated to research projects and/or projects where there are immediate expenditures set out in the proposal document are transferred by University Advancement on receipt of a memo ([see Appendix I](https://www.mcmaster.ca/ua/policy/CHARITABLEGIVINGPOLICY.htm)) requesting the transfer and indicating how the funds will be used. If the requestor has signing authority over the account to which funds will be transferred, the memo must be co-signed by the Dean or appropriate Vice-President. The signing authority is responsible for the proper administration of transferred funds. Funds may not be released without the approval of the President.

4B. Gifts of Securities

**Policy**

McMaster University will accept securities as charitable donations if such securities are consistent with the University’s investment aims. The value of the official receipt will be determined by the fair market value of the security on the date the security is transferred to the University.

**Guidelines for Implementation**

A gift of this type is not considered complete until the securities are fully assigned and held by the University. For marketable securities such as stocks and bonds, the value of the receipt is determined by using the market value of the security at the close of business on the day the security is received by the University's custodians. For non-marketable securities, the value of the official receipt will be determined by the parties, based on external appraisal.

4C. Gifts of Property (Real Estate, Equipment, Art, Documents)

**Policy**

McMaster University will accept gifts of property as charitable donations if such property is consistent with the University's investment or collection aims. The value of the official receipt will be determined according to Revenue Canada Guidelines. For further information, see Gifts-In-Kind, Revenue Canada Taxation, Minister of Supply and Services, 1991.

**Rationale**
Gifts of property can have great income value or enhance Library or Art Gallery collections. Before a gift can be accepted, however, its merit in relation to current holdings or collection strategy must be determined.

**Guidelines for Implementation**

Gifts of property are commonly referred to as "gifts-in-kind". Before a gift of property is accepted by the University, its merit must be determined.

a. Gifts of art will be approved by the Director of the Art Gallery.

b. Gifts of books, manuscripts, documents, etc. will be approved by the University Librarian in consultation with appropriate members of the Library staff.

c. Other gifts of property must be approved by the Vice-President (Administration) or the Vice-President (Health Sciences) or the Provost and Vice-President (Academic) in consultation with the appropriate Executive Officer(s).

d. Prior to acceptance of gifts of real property, the Environmental Health & Safety office should perform a review to determine if there is any environmental or hazardous material issues associated with the gift.

Before Advancement Services issues a tax receipt for a gift-in-kind, the Office requires a copy of the following:

a. For new goods received:
   i. an itemized purchase order from the area receiving the donated goods;
   ii. an invoice from the company donating the goods indicating that the invoice is not to be paid; and
   iii. a packing slip showing that the area has taken receipt of the goods.

b. For used goods received:
   i. a minimum of two independent appraisals from reputable appraisers of the items being donated or, if the gift is $1,000 or less in value, appraisal from a qualified University staff member;
   ii. proof of receipt of the goods.

The appraiser should not be associated with either the donor or the University. Dealers, appraisers and other individuals knowledgeable about the market value of the object being donated may give an expert evaluation.

If finding an independent appraiser is difficult, or involves unwarranted expense, the Income Tax Department will consider an appraisal done by qualified University staff members, even though the value might be more than $1,000.

The appraisal must be an estimate of the fair market value of the object as of the date of the donation. The receipt must represent the true value of the donation at the time it is donated. In addition, if the object was owned on Valuation Day (December 31, 1971), a valuation as of that date may also be required.

Although the term "fair market value" is not defined in the Income Tax Act, the generally accepted meaning is the price the property would bring in an open market transaction between a willing buyer and a willing seller, acting independently of each other, and each having full knowledge of the facts. An arm's length sale and purchase of
the property, at or near the effective date of valuation, is usually considered the best evidence of value at the time, and will normally be used by the Income Tax Department as the value of the donation for purposes of the charitable tax receipt.

The date of donation is the date that legal ownership is transferred from the donor to the University. This date may not be the date of physical delivery. If, for example, an object was on loan to the University before the date of donation, the dates would differ.

Original appraisal documentation must be in place and a Deed of Gift, irrevocably deeding the property to the University, must be signed by the donor and two senior officers of the University. (see Appendix II).

4D. Gifts of Canadian Cultural Property

The federal government, in 1977, proclaimed the Cultural Property Import and Export Act to help preserve the best examples of Canadian heritage in movable cultural property. A separate application process, controlled by the government, exists to determine qualification for consideration. The University will still issue an official receipt based on appraisal documentation acceptable to the government. Further information is available from the University Library or Art Gallery.

4E. Gifts of Life Insurance

*Policy*

When an individual has taken out a life insurance policy (either "whole life" or "term life") and later makes an absolute assignment of the death benefits of the policy to the University, this is considered to be a charitable donation, as long as rights, privileges, benefits or advantages do not accrue to the donor as a result of the gift (excluding, of course, any income tax relief as a result of the charitable donation). The amount of the tax receipt depends on whether the policy is paid up and if the donor will continue to make premium payments.

If the policy is paid up, the amount of the charitable donation is equal to the value of the policy (i.e. the amount by which the cash surrender value of the policy at the time of the absolute assignment exceeds any policy loan outstanding) and any accumulated dividends and interest thereon which are also assigned at that time. If the policy does not have any value, then a charitable donation receipt is not issued when the policy is transferred. However, subsequent premium payments will be creditable for income tax purposes.

Alternatively, the University may issue the receipt when the benefits are realized; in this case, the receipt is sent to the donor's estate. Upon the donor's death, the full proceeds are paid at once, directly to the University without delay of probate, and without reduction in amount due to taxes, legal fees or administration charges. There is not a fluctuation in the value of the proceeds, as there could be if the gift were dependent on the value of stocks, bonds, real estate or other kinds of property. Life insurance is separate from the estate and payment is guaranteed by contract. A gift of life insurance
cannot be contested, as it is separate from the donor's estate and is paid directly to the University.

When a life insurance policy is absolutely assigned to the University, any consents that are required by provincial regulations to be signed to change a beneficiary must be signed before the transfer represents a valid charitable donation.

If the individual donates an amount to the University to enable the University to pay each premium of a life insurance policy the charitable donation is equal to each amount given by the individual. If each premium on the policy is paid directly to the insurance company at the request of, or with the concurrence of, the University, there is constructive payment of a donation to the University and therefore a charitable donation. The increase in cash surrender value of the policy is not relevant in determining the amount of any charitable donation. Furthermore, a donor can make a lump sum cash contribution to the University and specify that it be used to pay all premiums on a life insurance policy; this lump sum contribution is still a charitable donation.

University Options

If the policy is paid up, the University can borrow on the policy at its designated interest rate (if the policy has an interest rate designated), which would provide immediate benefit. In the event the donor decides to discontinue donating the annual premiums, the University may cash in the policy or continue to pay the premiums out of its own funds.

Provided that either the trust stipulates or the donor directs that the gift be held for at least 10 years, the value of a life insurance policy, and the proceeds there from, whether on voluntary disposition or upon the death of the life insured, are exempt from disbursement requirements.

If a gift of a life insurance policy qualifies for exclusion from the University's income and disbursement requirements, then the amount of subsequent premiums donated relative to that life insurance policy will also qualify for such exclusions. Since each payment of a premium is itself a gift, each payment must be subject to a 10 year direction to retain if that gift is to be excluded from income or disbursement requirements. One way of achieving this is for the donor, at the time the policy is given, to require the University to keep the policy, or property substituted thereafter, for a minimum of 10 years from the date of last premium payment.

Procedures for Individuals Making Gifts of Life Insurance

To make a gift through the purchase of a new insurance policy, the donor applies for a policy on his/her life and, on issue, transfers the ownership to the University. The premium payments can be made on a monthly or annual basis, directly to the insurance company at the request of, or with the concurrence of the University, or a lump sum can be set up to repay future payments. The donor includes a letter of instructions to the University, with the policy, that may indicate specific distribution of the proceeds. A premium receipt, which the donor forwards to the University, is issued by the insurance company. The University then issues its own charitable receipt.

Guidelines for Maintenance

It is important that University Advancement have on file the name of the donor's Insurance Company and Agent so that reminders can be sent about the reporting of premiums paid. Premium payments may qualify donors for appropriate recognition.
4F. Bequests

Policy

Bequests made to McMaster University may qualify as charitable gifts if the terms and conditions of the bequest are acceptable under the University's aims and objectives. Official receipts will be issued to the estate of the deceased.

Guidelines for Implementation

Communications (letter and/or copy of Will) are received from the executors, trustees or lawyers by University Advancement or Treasury Operations. If received by Treasury Operations, a check is made with University Advancement to determine if there is an existing file.

A copy of the Will is obtained by or forwarded to Treasury Operations. Treasurer examines the Will and prepares a recommendation to the Policy and Planning Committee if the direction in the Will is not specific. If the directions are specific, the relevant people are informed (eg. Policy and Planning, Financial Aid, Library, Graduate Studies) if they have not already been informed by University Advancement. Funds and legal documents are received and processed by Treasury Operations. Funds are deposited either to University accounts or to University Advancement holding account. Transfer of securities is arranged through University custodians. Releases are signed after Treasurer verifies accounts. Treasury Operations arranges for Court Audits with University lawyers. A permanent file is set up in Treasury Operations.

Treasury Operations prepares an Annual Report on Bequests to the Board of Governors through the Finance Committee.

The policy regarding the Audit of Estate Accounts is attached (see Appendix III).

4G. Gifts of Annuities

Policy

Donors may make irrevocable gifts to the University in exchange for immediate guaranteed payments to the donor for life at a specified rate depending on life expectancy. Such arrangements are considered to be annuity contracts and the annuity payments are included in computing the annuitant's income. The capital element of the annuity payments is considered to be tax free.

Because of a charitable interest in the University, a donor may pay more for the annuity than the total amount expected to be received as annuity payments. In such cases, the excess of the purchase price over the amount so expected to be returned is a gift and the individual is entitled to credit the amount of the gift. No portion of any annuity payment is taxable in the hands of the individual in these circumstances.

Conversely, if the donor's annuity payments are expected to equal or exceed the value of the initial gift, there has not been a charitable donation, and a charitable tax receipt...
should not be issued.

Any excess amount of money after the annuity has been purchased is recorded on the donor's University Advancement computer system record. However, the donor does not receive a tax receipt for this amount.

5. Memorial Funds

Policy

McMaster University will issue official receipts for donations received for Memorial Funds if the funds will be held by the University and if the terms and conditions of the fund are acceptable within the University's aims and objectives.

Guidelines for Implementation

Memorial Funds are most commonly set up in honour of a faculty or staff member, an alumnus(a) or a prominent individual. It is imperative that University Advancement be made aware immediately of any plans for a Fund so that gifts to the Fund can be tracked separately, appropriate family members or colleagues can be informed of the progress of the Fund, and letters of thanks can be sent along with receipts. It is also important for University Advancement to be aware at the outset the plans for the Fund (a scholarship, bursary, capital project, etc.) so that the appropriate offices (Student Financial Aid, Dean's office) can be notified of the potential gift(s) and can begin setting appropriate terms and conditions.

As the approval process for a new scholarship or award can be lengthy, it is important that the University not create expectations that the award can be given out quickly. As well, terms and conditions of an award cannot violate the Charter of Human Rights and Freedoms or similar codes. In addition, the Undergraduate and Graduate Councils have policies regarding scholarships. Consultation with University officials is important before commitments are made to potential donors. (Please see attached - "Policies and Objectives for Trust Funds", Appendix IV).
b. Review annually the Trust Fund Statements and obtain explanations from the Chair of the Trust Fund Operations Committee on steps taken to have unassigned trust accounts assigned, deficit balances eliminated and accounts with little or no activity resolved.

c. Review annually the Trust Fund Data Dictionary and obtain a status report from the Chair of the Trust Fund Operations Committee.

d. Review annually the Designated Reports for the various campaigns and obtain explanations from the Chair of the Trust Fund Operations Committee on steps taken to have untransferred money transferred.

e. Recommend further actions to be taken by the Trust Fund Operations Committee when performing steps (b) to (d).

2. Membership

- Vice President, University Advancement - Co-Chair
- Assistant Vice-President (Administration) - Co-Chair
- Director, Advancement Services
- Chief Internal Auditor - Advisory

Trust Fund Operations Committee

1. Terms of Reference

a. Develop and recommend to the Trust Fund Management Committee policies and procedural guidelines pertaining to the management of trust funds held by the University and ensure compliance with these policies and procedures. (See Appendix IV).

b. Review monthly the Trust Fund Statements and take steps to have unassigned trust accounts assigned, deficit balances eliminated and accounts with little or no activity resolved.

c. Review and update the Trust Fund Data Dictionary monthly.

d. Review monthly the Designated Reports for the various campaigns for untransferred funds relating to Trust Funds and take steps to have the funds transferred.

e. Recommend a location for centralized trust fund files and facilities to ensure security and safety of such files.

f. Review and recommend to the Trust Fund Management Committee policies on distribution of income/capital gains and how they should be expended/capitalized.

g. Define trust funds so as to distinguish from Research, Capital, Specifically Funded and Endowment Funds.

h. Resolve problems relating to trust funds as they arise.

i. Act as a forum to keep communication open between the various areas involved with trust funds.
j. The Chair will be responsible for preparing or co-ordinating reports to be presented to the Trust Fund Management Committee on a annual basis.

2. Membership

- Director, Advancement Services - Chair
- Director, Finance
- Director, Student Financial Aid and Scholarships
- Treasurer, Treasury Operations
- Manager, Health Sciences Finance
- Registrar, Graduate Studies
- Administrative Assistant, Trusts - Secretary
- Director of Development - Advisory

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7. Use of McMaster University's Charitable Registration Number for Fundraising Purposes

Policy

The Vice-President, University Advancement may approve the use of the University's charitable registration number by a University-related organization, providing:

1. The request is made with the knowledge and support of a senior officer of the University;

2. The event or lottery will not impact negatively on public perception of the University or on existing University Advancement efforts;

3. The organization running the event or lottery agrees to maintain proper accounting records and agrees to be accountable to the senior University officer(s);

4. The benefits of the event or lottery are gained by McMaster University and are consistent with the University's goals and purpose.

Rationale

It may be appropriate in some circumstances for University-related organizations to engage in fundraising activities to benefit their groups or the broader University community. Such groups must be accountable to a senior University officer and must provide proper accounting for the activity. University-related organizations may include student residences, varsity sports teams, recognized academic clubs and recognized faculty or staff organizations.

Guidelines for Implementation

A University-related group or organization seeking to use the University's charitable registration number to apply for a lottery or game license must:

1. Submit a proposal for approval to the appropriate unit Director, Dean or Vice-President. The proposal will include a description of the activity, the project or programme to receive the proceeds, a financial plan and accounting methods and the name of the responsible University officer.
2. The Dean or Director will forward the request to the appropriate senior officer noting his/her approval in writing.

3. The senior officer will present the proposal to the Vice-President, University Advancement for final consideration.

4. For control purposes, the organization running the event or lottery must agree to deposit all proceeds and charge all expenses through the University's financial accounting system.

5. The organization must make a final report following the event or lottery to the Dean, Director or Vice-President sponsoring the organization.

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8. Fundraising Special Events

*Policy*

All fundraising events held under McMaster University auspices and for which official receipts will be required must be approved by the Prospect Clearance Committee. In cases where tickets are sold and the purchaser is to receive an official receipt, the value of the receipt will be the cost of the ticket less the value of any goods or services received.

*Rationale*

Special events such as charity golf tournaments, celebrity concerts or auctions can help raise money for special projects. These events also reflect on the University's public image and therefore must be reviewed the Prospect Clearance Committee.

Revenue Canada has ruled that the value of a gift must be reduced by the value of the benefit received by the donor. University Advancement can issue receipts for special events under this restriction.

*Guidelines for Implementation*

If planning a special event University Advancement should be consulted to determine the value of an official receipt that might be offered to a sponsor or donor.

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9. Donation of Funds by Employees for Equipment

*Policy*

McMaster University will issue an official tax receipt to employees who donate money to the University for the purpose of acquiring equipment, provided the following conditions and procedures have been satisfied.

*Proposal*

All donations given by University employees for the purpose of purchasing equipment will be reviewed by the Provost and Vice-President (Health Sciences) or the Vice-President (Administration). *(See Appendix V).*
Approval Required

To ensure that the issuance of a charitable tax receipt is within the letter and spirit of the Income Tax Act, the University requires (in the case of academic units) the signature of the Chair and/or Dean, or (in the case of administrative units) the Director and the responsible Associate or Assistant Vice-President, attesting to the fact that the donation meets the policy criteria set out below.

a. The equipment is required by the employee to more adequately fulfil his/her employment responsibilities.

b. The University would buy the equipment if it had the financial resources.

c. The equipment will be the property of McMaster University. Accordingly, the equipment will be included on the University's equipment inventory listings and be marked with appropriate departmental provident numbers. The University will maintain and insure the equipment.

d. The disposal of the equipment will comply with the University's asset disposal policy.

e. The equipment will be available for use as the Dean or Department/Unit Head determines.

f. The equipment will be used primarily for University purposes.

After approval is received by the Vice-Presidential Review Committee:

1. The Provost and Vice-President (Academic) will inform the donor that Advancement Services is authorized to issue a tax receipt for the donation.

2. The money will be transferred to an account under the authority of the Budget Unit Head. This money will be used only for the purpose of the donation. All equipment should be acquired through the University Purchasing Department or Bookstore.

The ruling pertaining to Donations by Employees is attached (see Appendix VI.)

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10. Donations of Funds by Employees for Research and Other Purposes

Policy

The University is authorized to issue official charitable receipts for gifts, donations or grants for research, if a "no-strings-attached" arrangement between the donor and the University exists, but such authorization is not granted in respect or contracts for research, if the donor will benefit in any way from the research.

A research account can be established under the direct control of the donor and the money can be used for the benefit of the individual. However, this is not a charitable donation, and any tax advantages are simply a matter between the individual and Canada Revenue Agency; the University does not have a role to play or responsibility.

Gifts or Donations
A gift or donation may be defined as a voluntary transfer of property (cash or in kind) without consideration. A right, privilege, material benefit, advantage or obligation as to the transfer of results may not be conferred on the donor or on a person designated by the donor as a consequence of the transfer.

In the case of a gift or donation, the University usually initiates the program or project supported by the gift.

When an employee makes a gift of his/her salary, to qualify as a charitable donation the following conditions must be met:

1. An amount should be paid to the University. This can be through a payroll deduction. If a directed or foregone payment is involved, the amount thereof must be reported as income to the individual.

2. The donation must be unconditional unless the projects designated are under the direction and control of the University. Any designated purpose must be part of the general activities for which donations would normally be accepted.

3. Donations should not be credited to an account set up specifically for the individual (such as a research account).

4. There should be the same degree of responsibility and control of activities financed by specific donations from faculty members as for activities financed from other revenue sources.

5. Individuals who have made such donations must submit applications for funds to a committee or independent individual responsible for administering funds to the particular activities. Such application should adequately document the proposed use of the funds. Funds would be disbursed to the individual only after applying the standard evaluation criteria for such expenditures.

6. Any equipment purchased or expenditures made with such funds must be of such a nature that it would be reasonable for the University to acquire such equipment or expend such funds.

7. There should be adequate procedures to ensure that donors cannot use this process in an attempt to obtain a tax deduction for what might otherwise be described as personal expenses. In this regard, university expenditures should be clearly differentiated from those of the individual.

   Eg.,
   a. Where funds are used for equipment or instruments, the University should clearly have title to these (other than in subsidy arrangements);
   b. Where funds are used for books, manuscripts or subscriptions, these should become the property of the University (consider cataloguing in the library); and
   c. Travel expenses, supplies and other items for the individual's own use should meet the standard criteria for University expenditures.

The following terms are not consistent with the foregoing and should not be used:

1. Payment is transferred to a specific fund for the individual and the person has effective control over the use of the funds.
2. Any balance in the fund at the end of a particular period is refundable to the individual.

3. There is a direct connection between the amount of the individual's donations and disbursements from the fund to that person.

4. The individual has an option to purchase equipment acquired with the funds at the end of a certain time period.

Grants

A research grant is financial support for an individual, or individuals, or a group or a research centre or institute conducting research in a particular subject area or field, without any formal detailed stipulations as to the direction of such research.

The research funded by a grant can be initiated by the individual, or individuals, or group or research centre or institute conducting it, or by the grantor. The following characteristics are normally also present:

1. Objectives are defined in a general fashion.

2. There are no limitations on publication.

3. There is no specific transfer of results to the grantor; however, a final report stating the results of the research is usually submitted to the grantor.

4. Payment to the University is generally made in advance of expenditures.

Contracts

A research contract is an agreement between legal entities, to provide financial support for an investigator or investigators (the "performer"), to conduct research in a particular subject area or field under specific stipulations and conditions. These conditions may include but are not limited to:

1. Scope and nature of the research is specifically outlined.

2. Time period(s) for the activity are set.

3. Deliverables are defined.

4. Ownership, patent rights and licensing arrangements are established.

5. Confidentiality of the information both supplied and created is provided.

6. Budget approvals and payment schedules are established.

7. Considerations for acceptance and/or termination are established.

8. Liability of participants is limited.

In this case of a contract between the payer and the performer, the payer receives something of value in return for the payment. Even though the value of what was or will be received by the payer might be less than the amount paid, the accrual of any direct benefit to the payer disqualifies the payment as a donation. Such charitable donation claims are subject to disallowance by Revenue Canada Taxation because they are
supported by improperly issued receipts. In other words, contracts, which include payments for research, with the expectation that the payer may receive a benefit are not considered to be gifts for charitable purposes.

The exception to this rule exists if the contract research is part of a company's business. For example, if a pharmaceutical corporation makes a payment to the University to be used for research activities, those activities must qualify as scientific research and experimental development ("SR&ED"). SR&ED activities would not include the activities of teaching or training. In addition, a payment to the performer does not constitute an expenditure on SR&ED to the extent that the amount of the payment may reasonably be considered to have been made to enable the performer to acquire a building, or a leasehold interest in a building in which the payer has, or may reasonably be expected to acquire, an interest.

In order for the payer to be entitled to deduct from his income a payment made in the year to the performer, the following conditions must be met:

1. The payer must carry on business in Canada in the taxation year.
2. The funds must be used by the performer for SR&ED carried on in Canada.
3. The SR&ED activity carried on by the performer must be related to the business of the payer in the year the expenditure is made.
4. The payer must complete and file Form T661, "Claim for Scientific Research and Experimental Development Expenditures".
5. The payer must be entitled to exploit the results of the SR&ED.

Corporations should consult with their own tax and legal advisors for a full discussion of the applicability of the above in their certain circumstances.

Sources

1. Letter from Revenue Canada Taxation to H.W. Mousley, Sept. 19, 1989
2. Letter from Thorne Ernst Whinney to K. MacDonald, Sept. 6, 1989
5. "Spending Smarter", Corporate-Higher Education Forum