



## Gift Acceptance Policy\*

### 1. INTRODUCTION

This document applies to all fundraising activities of HPIC, including its annual giving, planned gifts, special fund raising initiatives, campaigns; and any arms-length bodies conducting fund raising on behalf of HPIC (for instance, a service organization, foundation or trust).

In keeping with HPIC's values and goals, and in accordance with Canada Revenue Agency (formerly Revenue Canada) policy related to charitable giving, the purpose of *Gift Acceptance Guidelines* is to

- summarize the general policies applicable to all charitable gifts to HPIC; and
- identify various means of charitable giving and the specific guidelines related to acceptance of each type of gift.

### 2. GIFT DEFINITION

A gift “is a voluntary transfer of money or property for which the donor expects and receives nothing of value in return”<sup>1</sup>. Donors to registered charities — HPIC included — are eligible for a charitable tax receipt that may be claimed as a non-refundable tax credit on an income tax return.

No benefit of any kind may be provided to the donor or to anyone designated by the donor except where the benefit is of nominal value. Canada Revenue Agency defines nominal value as a fair market value of less than the lesser of \$50 or 10% of the amount of the gift. It is permissible and encouraged for donors to receive recognition for their gift, including honour rolls; signage and plaques; or naming opportunities for buildings, displays, education programs, etc.

#### (a) Quid Pro Quo

If HPIC provides something of value in return for a gift (including admission to a fund raising event) the donor's tax receipt is reduced by the fair market value of the benefit received.

#### (b) Non Gifts

The following transactions do not constitute philanthropy and are not eligible for charitable tax receipts:

- (i) A gift of service;
- (ii) The purchase of an item or service; and
- (iii) Sponsorship of projects for which the donor retains right of property, including intellectual property.

### 3. MEANS OF GIVING

HPIC encourages and solicits contributions of cash, securities, and personal and real property, either as outright gifts or through planned gift vehicles in accordance with Canada Revenue Agency *IT-110R3 - Gifts and Official Donation Receipts*. Planned gifts include bequests, life insurance policies, charitable trusts, and gift annuities.

---

<sup>1</sup> Canada Revenue Agency



#### **4. GIFT DESIGNATION**

All gifts, regardless of value, form or designated use, should be made payable to HPIC. Donors may choose to have their gift fully expended or endowed and may direct their gift to a specific program, or project provided that:

- (a) no benefit accrues the donor;
- (b) the directed gift does not benefit any person not dealing at arm's length with the donor; and
- (c) Decisions regarding use of the donation within a program rests with HPIC, although, where possible, HPIC will act in concert with and be respectful of the donor's wishes.
- (d) Each restricted contribution designated toward an approved program or project will be used as designated with the understanding that when the need for such a program or project has been met, or cannot be completed for any reason as determined by HPIC, the remaining restricted contributions designated for such program or project will be used where determined most needed by the Management Team.
  - (i) On rare occasions, a gift may be declined as a result of the limitations proposed by the donor or operational limitations of HPIC. **See Section 11 for guidelines on declining a gift.**
  - (ii) HPIC reserves the right to levy a onetime administrative charge for funds received for a specific project within its mission.

#### **5. ENDOWMENT INVESTMENT POLICY**

When endowing a gift, it is HPIC's policy to spend annually the income earned on the investment to a maximum of five per cent of the capital. This number may change in time and remains at the discretion of the Board of Directors. In all instances, the principal will not intentionally be eroded, and any additional income earned in excess of five per cent will be re-capitalized to ensure the growth of the endowment.

#### **6. RESPONSIBILITY TO DONORS**

HPIC holds all donors in high esteem. While seeking donations in support of priorities, staff, board members, and volunteers have an ethical responsibility to uphold the interest and wellbeing of HPIC's benefactors. Without exception, donor relationships are of utmost priority.

#### **7. TAX CONSIDERATIONS**

In accordance with Canada Revenue Agency *IT-110R3 - Gifts and Official Donation Receipts*, HPIC requires the following in regard to official donation receipts:

##### **(a) Receipts**

Receipts are only issued for funds that HPIC will be responsible for spending. Management of charitable receipting rests with HPIC. Staff is required to request all the necessary paperwork, as per **Section 9**, before issuing a charitable tax receipt. Staff has the responsibility to question further the validity of a charitable gift received by a volunteer on behalf of HPIC.

##### **(b) Preparation of Receipts**

Each receipt is prepared in triplicate, must bear its own serial number, and must be signed by an authorized financial officer. In instances of donations of property other than cash, the fair market value of the property at the time the gift was made, as well as the date of the gift, a description of the property, and the name and address of the appraiser is required.

##### **(c) Control of Receipts**

HPIC and its employees guard against the unauthorized use of official receipts.



**(d) Lost or Spoiled Receipts**

HPIC may issue a replacement for an official receipt. The replacement receipt must include a notation confirming it as a replacement for receipt # (serial number of original receipt.) HPIC must mark the copy of the lost or spoiled receipt as “cancelled.”

## **8. TYPES OF GIFTS**

Policies for accepting, processing, acknowledging, and receipting gifts are as follows:

**(a) Gifts of Cash**

Gifts of “cash” — cash, cheque, money order, and credit card — are accepted by HPIC, subject to Section 9.

**(b) Bequests**

A bequest is a provision in a will, directing assets from an estate to HPIC. There are several types of bequest accepted:

- (i) A *specific bequest* provides HPIC a specific sum of money, stated percentage of an estate, or a specific property such as real estate or securities.
- (ii) A *residual bequest* leaves all or a portion of their estate after providing for other beneficiaries.
- (iii) A *contingency bequest* ensures that HPIC receives all or a share of the estate in the event of the prior death of certain other beneficiaries.
- (iv) A *residual bequest subject to life interest* applies when the donor chooses to have the HPIC receive the bequest following the death of certain other beneficiaries who have use of the assets in the estate for their lifetime.

Bequests are eligible for a charitable tax receipt. HPIC always recommends that donors consult a lawyer and/or estate planner before completing a will and retains the right to decline a gift if the donor did not retain independent counsel.

**(c) Life Insurance**

Gifts of life insurance may be contributed to HPIC in two ways:

- (i) A donor may donate an *existing policy* by designating HPIC as the beneficiary and owner of the policy. HPIC issues a charitable tax receipt for the policy’s cash surrender value, including accumulated dividends and interest. If the policy is not yet fully paid-up, the donor will receive tax receipts for any additional premium payments made after the policy is assigned. Upon the donor’s death, HPIC receives the value of the policy.
- (ii) In donating a *new policy* that names HPIC as owner and beneficiary, the donor will receive charitable tax receipts for the full amount of each annual premium. Upon the donor’s death, HPIC receives the value of the policy.

Donors may also choose to direct the insurance proceeds from an existing or new policy to their estate and to name HPIC as the beneficiary of those proceeds in their will. As per other specific bequests, the donor’s estate would receive a charitable tax receipt for the proceeds of the policy.



Life insurance policies owned by the donor and naming HPIC as beneficiary or secondary beneficiary are *not* eligible for a charitable tax receipt. In this instance, the gift is revocable; the designated beneficiary can be changed.

**(d) Public and Private Securities**

Two types of gifts of securities may be accepted:

- (i) A donation of *public securities* traded on a recognized stock exchange and including stocks, bonds, bills and mutual funds. The value of such a gift is determined by the value of trading on the date donated. Donations of public securities may be handled in one of two ways:
  - *Transfer of securities*: the donor is asked to open a no obligation, one-time only account with HPIC's brokerage firm and to direct, in writing, the internal transfer of the gifted securities to HPIC's account.
  - *Presentation of certificate*: the donor may mail or deliver endorsed certificates to HPIC or HPIC's agent. In some instances, the donor's signature requires bank notarization. Instructions are on the reverse of certificate.
- (ii) Donors may also contribute *private securities*. The value of the gift and resulting charitable tax receipt is determined by a professional, independent valuation.

**(e) Gifts-in-Kind**

In addition to medicines and supplies used in its programs HPIC accepts gifts of books, artwork, equipment, software, or other property.

Respecting the donor's wishes and HPIC's programs, plans, values and needs, HPIC may retain the gift or sell it and apply the proceeds in a fitting manner, where possible in consultation with the donor. A charitable tax receipt is issued for all gifts of property **for the fair market value at the date of transfer in accordance with Canada Revenue Agency**. "*Property of little or only nominal value to the donor will not qualify as a gift in kind. Used clothing of little value would be an example of a non-qualifying contribution*"<sup>2</sup>. An independent qualified appraiser determines the value.

**(f) Charitable Trusts**

HPIC may accept two types of irrevocable charitable trust arrangements:

- (i) A *remainder trust* that pays the donor income from the assets (real estate, securities, cash) for life or for a number of years and then distributes the principal to HPIC.
- (ii) A donor contributing a *residual trust* donates an asset (personal residence, work of art, investment property) today, but retains the use of it during his lifetime.

Both remainder and residual trusts are eligible for charitable tax receipts. HPIC encourages donors to consult a lawyer or financial advisor before establishing a trust and retains the right to decline a gift not involving professional counsel.

---

<sup>2</sup> Canada Revenue Agency



**(g) Charitable Gift Annuities**

A gift annuity is an irrevocable transfer of money or other assets. A portion of the principal is used to purchase an annuity from an insurance company. The cost of the annuity is based on the donor's age and income requirements. The remainder of the principal is considered an outright gift used for the purpose specified by the donor. The annuity pays the donor a guaranteed income for a specific time or for the remainder of the donor's life. Upon death, HPIC receives any remaining guaranteed income from the annuity, unless the donor has specified otherwise.

**9. GUIDELINES GOVERNING GIFT ACCEPTANCE**

**(a) Bequests**

- (i) Upon request, sample bequest language will be made available to donors and their lawyers to ensure that the bequest is appropriately designated, is deemed feasible at the time of designation, and that the proper legal title for HPIC is used.
- (ii) A bequest in the appropriate values (outlined in Section 8 (b)) can be used to create named endowment funds. Donors are encouraged to identify proposed recognition names within the context of their will, or to demonstrate their intent in alternative communication addressed to HPIC during the donor's lifetime. In the latter instance, a *Memorandum of Understanding* confirming the donor's wishes will be prepared for both the donor and HPIC to sign.
- (iii) Donors are invited and encouraged to provide information to HPIC about their bequest and, if they so choose, to send to HPIC a copy of the relevant section of their will. This will allow for appropriate recognition during the donor's lifetime.
- (iv) HPIC staff will not provide professional consultation to donors in the preparation of their will, or become involved in the execution or witnessing of a will in which HPIC is named as beneficiary. The HPIC Board of Directors or staff may not be named as executor in a donor's estate.
- (v) During the administration of an estate involving HPIC, the Chief Financial Officer, in consultation with HPIC's legal counsel, shall represent HPIC in dealings with the lawyer and/or estate trustee. Any legal, accounting, or other professional fees associated with administration of the estate will be deducted from the gift received. The net value of the bequest will be directed to the purpose specified by the donor.
- (vi) Following receipt of the designated gift, HPIC will issue to the estate a charitable tax receipt in the value of the gift.

**(b) Life Insurance**

The donor may wish to inform HPIC of their intention to designate HPIC as a beneficiary, or if they wish to designate the gift to a specific program

- (i) The administration of a gift of life insurance will involve a representative of HPIC or designate. This representative or designate will:
  - request a copy of the donor's life insurance policy, confirming HPIC's designation as owner and beneficiary;



- in the case of uncompleted policies, request annual, written notices of premium payment from the donor's life insurance company
- (iii) When premiums on uncompleted policies remain outstanding, HPIC's representative or designate will recommend to HPIC's Board whether to pay the premiums or cash in the policy.
- (iv) Upon receipt of confirmation of the irrevocable transfer of a life insurance policy to HPIC as owner and beneficiary, or receipt of annual confirmation of the policy's paid-up status, HPIC will issue a charitable tax receipt for the appropriate value.

**(c) Public and Private Securities**

- (i) The donor may wish to inform HPIC of their intension to designate HPIC as a Beneficiary, or if they wish to designate the gift to a specific program
- (ii) Where possible, an electronic transfer of securities is encouraged.
- (iii) The administration of a gift of securities will involve a representative of HPIC or designate in consultation with HPIC's brokerage firm.

In the instance of an electronic transfer of *public securities*, this representative will:

- assess, in consultation with HPIC, if the gift is marketable and acceptable
- consult directly with the donor's broker
- identify immediately to HPIC's broker the name of the donor; the name of the delivering broker; the name and number of delivered shares; and CUSIP(Committee on the Uniform Securities Identification Procedures)number of shares
- request written confirmation of the date of transfer from the donor's broker

In the instance of a gift of *private securities*, the representative will:

- assess, in consultation with appropriate parties, if the gift is acceptable, in that it can likely be sold in the future to the corporation, other stockholders, or others interested in acquiring the corporation
- retain independent counsel for the purpose of valuing the proposed gift
- (iv) It is HPIC's policy to transfer immediately to the designated account the funds equal to the value at donation.
- (v) Instruction is given to HPIC's broker to sell the shares as quickly as possible; it is not HPIC's intent to retain securities as part of their financial holdings.
- (vi) Decision regarding sale of shares rests with HPIC's Board of Directors.
- (vii) HPIC retains the right to decline a gift of shares if the offered public or private securities are deemed a liability to HPIC.
- (viii) Upon confirmation of the receipt of a gift of public securities, HPIC will issue a tax receipt for value of the gift on the date HPIC takes ownership of the shares. Value is normally assessed at market close on the date of transfer or the value at close on the date the certificate is delivered or mailed.



**(d) Gifts-in-Kind**

- (i) HPIC requests a written letter or email confirmation of any offer from the donor before proceeding with the establishment of fair market value.
- (ii) HPIC counts on the partnership of more than 80 companies from across all sectors of the pharmaceutical and healthcare products industries and enjoys the support of Innovative Medicines Canada (IMC), CGPA, and CHP Canada.

The majority of products provided through HPIC's programs have been generously donated. HPIC's product donors provide:

- PRESCRIPTION MEDICINES
- OVER-THE-COUNTER MEDICINES
- MEDICAL SUPPLIES, INSTRUMENTS AND DEVICES

---

Confidence

HPIC's product donors have confidence in HPIC. Many companies have been channeling their product donations through HPIC for more than a decade, some for over 26 years. HPIC's Establishment License from Health Canada guarantees that HPIC treats products with the same diligence and care as the manufacturer. In the event of a recall, HPIC can trace a product anywhere in the world. HPIC regularly visits projects to assess needs and conduct audits.

---

Planned donations

In order to meet the ongoing needs of our established programs, HPIC counts on planned donations. Each year HPIC presents the needs of its programs and asks for specific quantities of medicines and supplies from our partner companies.

---

Unplanned opportunities to donate

HPIC encourages its partners to conduct regular inventory reviews in order to identify opportunities to donate products.

---

Emergency appeals

When an emergency strikes in the developing world, HPIC puts out an urgent appeal for products to meet the needs on the ground. We are proud of the quick and generous responses that we have grown accustomed to expecting from our partners.

---

HPIC's criteria for accepting a product offers. *Products must:*

1. MEET NEEDS
2. BE APPROPRIATE
3. BE FIRST QUALITY
4. DATING IN ACCORDANCE TO THE "WHO" GUIDELINES\*



\* A product must have sufficient dating to allow the donated medicine to be used prior to expiry.

- (iii) HPIC retains the right to process gifts within a reasonable time frame or to decline gifts as per Section 11. Donors are asked to remain sensitive to calendar year end deadlines.
- (iv) For the valuation of gifts in kind of medicines, vitamins and medical supplies see HPIC's Policy and Procedure for Valuation of Product & Supply Donations for Tax Receipting (Appendix 1).
- (v) HPIC operates under the guidelines stipulated by Canada Health and therefore is restricted from receiving donated medicines and supplies from facilities other than those duly licensed by Canada Health. As such, HPIC cannot accept donations after use in public and private facilities.
- (vii) **For other gifts**, HPIC will seek independent appraisals for gifts valued at greater than \$1,000. Where the gift is \$1,000 or less, Canada Revenue Agency will accept a valuation made by a staff member, provided the staff member is knowledgeable in the field and is qualified to establish the value of the gift.

If it is difficult to find an independent appraiser or if doing so would involve unwarranted expense, Canada Revenue Agency will accept a valuation from a qualified staff member of HPIC for gifts in excess of \$1,000. Evidence of attempts to secure an independent valuation or evidence of excessive expense must be provided.

- (ix) Expenses associated with independent valuations and the ongoing maintenance of the gift is the responsibility of the donor unless otherwise agreed upon by the Board of HPIC.

**(e) Gifts of Real Estate**

- (i) Donors shall seek a qualified written appraisal of the property at their expense. From time to time, it may be necessary for HPIC to secure an additional independent appraisal in order to establish fair market value and the amount of the income tax receipt.
- (ii) The administration of a gift of real estate will involve a representative of HPIC or designate. Various factors, including zoning restrictions, environmental factors, marketability, current use, and cash flow, will be taken into account to ascertain that acceptance of the offered gift is in the best interests of HPIC.
- (iii) HPIC may authorize an environmental assessment of the property to ensure the real estate does not present a liability.
- (iv) It is HPIC's policy to sell real estate as soon as possible. In rare exceptions, the property may be retained for investment purposes or for use in accordance with the mission and plans of HPIC.

**(f) Charitable Trusts**



- (i) A trust may be established with cash, securities, real estate, or other assets. Gifts of real estate by trust are governed by the policies outlined in Section 9 (f).
- (ii) Upon request, a sample trust agreement may be provided by HPIC. The resulting agreement will be reviewed and remains at the discretion of HPIC's Board (sometimes on the advice of legal counsel).
- (iii) HPIC staff will not provide professional consultation to donors in the preparation of their trust.
- (iv) In the instance of a gift of residual interest, the donor shall be responsible for real estate taxes, insurance, utilities, and maintenance of the asset after transferring title, unless otherwise agreed by HPIC.
- (v) HPIC retains the right to inspect the property from time to time to ensure that its interest is properly safeguarded.
- (vi) The donor is entitled to a charitable tax receipt for the present value of the gift calculated in current dollars. This valuation is called "discounted value" and is determined by actuarial calculations provided by Canada Revenue Agency.

**(g) Charitable Gift Annuities**

- (i) HPIC staff will not provide professional consultation to donors in the purchase of an annuity.
- (ii) A commercial insurance company shall be selected, and the terms of the annuity contracted negotiated with HPIC's designates. Up to three quotations will be required, unless the donor indicates otherwise.

## **10. GIFT ACKNOWLEDGEMENT, RECOGNITION, AND STEWARDSHIP**

HPIC takes a donor-centered approach to its fund raising programs. Donor recognition guidelines and processes are based on donors' needs and wishes, and allow the flexibility required to respect the individuality of the donor. The key purpose of donor recognition is to sincerely show respect for, and appropriate gratitude to donors who support HPIC.

**(a) Guiding Principles for Donor Recognition**

- **Maintaining Public Respect and Accountability**  
Naming opportunities and proposals will be considered with due regard of HPIC's Mission, Vision, Values.
- **Corporate Philanthropy and Sponsorship**  
HPIC will provide legal differentiation between a donation and a sponsorship. This must be noted and respected when dealing with naming and recognition. Corporations and corporate foundations may be offered naming opportunities as recognition for philanthropic contributions. Corporate logos can be permitted and incorporated into signage or plaques associated with donor recognition for naming purposes as decided.



- **Confidentiality**  
To the extent that existing legislation and policy permits, the wishes of the donor regarding confidentiality will be respected. The names of donors who have requested anonymity shall not be included in public displays, external or wide-spread communications, publications or HPIC's website.
- **Recognition Signage**  
All signage related to donor recognition and naming must adhere to HPIC's established design and brand policies and design practices.
- **Documentation**  
The Naming Committee will ensure that all approved donations to HPIC involving naming opportunities are appropriately documented in writing; the document is to be co-signed by the President & CEO and Chief Financial Officer of HPIC.

HPIC reserves the right to adjust applicable donation recognition thresholds and criteria associated with all areas pertaining to the definition and application of recognition levels, including:

- Financial Contributions
- Non-financial contributions

**(b) Gift Acknowledgement**

All gifts to HPIC are acknowledged and a charitable tax receipt is issued, as per Section 7 of this document, together with a personal letter.

**(c) Donor Recognition & Naming**

HPIC is committed to ensuring that philanthropic support by individuals, corporations and organizations is effectively recognized through naming opportunities where and when appropriate. HPIC is committed to ensuring that the recognition extends to its supporters in a meaningful way, appropriate in relation to the support being provided, consistent with HPIC's vision, mission, goals and objectives, and strategically aligned with HPIC's brand.

HPIC's naming policy articulates a process for implementing naming rights as a form of donor recognition in a consistent, accountable and transparent manner.

The naming policy applies to naming opportunities for philanthropic donations, both corporate and individual, as listed below. The policy applies to the following:

- (i) The naming of programs, or special activities (e.g. exhibition of public programs and, or, projects, events, fund acquisition and related campaigns and other initiatives).
- (ii) The naming of capital infrastructure including buildings, or certain parts of the building (e.g. warehouse, boardroom, or other common office spaces) that lie within HPIC's premises.

All naming proposals are to be submitted to the Naming Committee for review and consideration. The Naming Committee will also provide direct support to negotiations and dossier development as required. The Naming Committee will meet at least once annually, or as required to consider and approve naming proposals. In so doing, the Naming Committee will consult with stakeholder departments and obtain expertise as appropriate.



(d) Naming Committee:

- (i) The purpose of the Naming Committee is to review and to recommend naming opportunity dossiers. The Naming Committee will provide a senior forum for communication on sensitive donations and will provide responsive decision-making in gift negotiation.

The Naming Committee is composed of the following members:

- The President & CEO of HPIC
- The Chief Financial Officer of HPIC
- Program Directors of HPIC

- (ii) Committee Procedures:

The Naming Committee will review gift dossiers for which HPIC naming recognition at HPIC is proposed.

The Naming Committee will also:

- ensure that gift agreements are in a form acceptable to HPIC
- ensure due diligence in the review of gift agreements prior to the ratification stage including consultation with relevant area/program leads or subject experts as necessary
- provide confidentiality at a level acceptable to donors, particularly in the case of anonymous gifts or proposals that are declined
- recommend a list of “donation thresholds” associated with HPIC’s capital spaces and naming opportunities, for approval by the HPIC Management and Board. This will be reviewed and updated as required every three years or as required.

Naming Recognitions will be aligned with the donation threshold list, be revised from time to time and approved by the Naming Committee.

HPIC will have the discretion to recognize individuals for non-financial contributions such as gift-in-kind (GIK).

- (iii) Bequests

Bequest naming opportunities shall not be available for recognition of bequests prior to activation of the bequest and the associated transfer of assets.

- Length of Term

The length of term applies to the maximum duration for which the naming would be in effect and is subject to HPIC’s guiding principles.

The length of the term shall be as follows:

- up to five years for individuals, corporations and community groups with a first right to rename at the end of the term with a new accepted gift. This includes naming recognition on a physical space within HPIC’s premises.
- Recognition Level Expenses
- Donor recognition costs encompass those expenses associated with all events, signage, and 'thank you gifts' directly related to the acknowledgement of and appreciation for the contribution received in support of HPIC. Costs associated with donor recognition will give due consideration to HPIC’s business objectives and will respect the Income Tax Act. Maximum costs are outlined below:



Value of Gift	Maximum Allocation for Recognition
\$5,000 - \$499,000	3%
\$500,000 - \$999,000	2.5%
\$1M+	No greater than 2% of the value of the gift

(iv) **Withdrawal of Recognition:**

HPIC reserves the right in its sole discretion to terminate a naming commitment if the donor causes any embarrassment, defaults on the pledge schedule, or if HPIC deems withdrawal of recognition to be in the best interest of the organization, even after an agreement has been signed. The termination of a naming commitment must be approved by The Naming Committee.

**(c) Stewardship**

“Stewardship differs from recognition in that it emphasizes the charity’s moral and legal obligation to manage and use gifts as intended by donors and to report to donors on the impact of their gifts. . . . The long-term goal of stewardship is to maintain an ongoing relationship with donors so that they continue to derive satisfaction from their past gifts and feel encouraged to make future gifts.”  
*(Planned Giving for Canadians, 1997)*

Supportive of the statement above, and in keeping with HPIC’s donor-centred approach to fund raising, and the donor bill of rights (as stated by the Association of Fundraising Professionals), HPIC places heightened attention on its responsibility to steward donors.

## 11. DECLINING A GIFT

At times, HPIC may choose to decline a gift. The following conditions justify such an action, although other situations may also occur:

- a) If the gift constitutes a non-gift as per Canada Revenue Agency *IT-110R3*, outlined in Section 2 (b) of *Gift Acceptance Policy*.
- b) There are unusual features to the gift that are contrary with the objectives, values, and goals of HPIC.
- c) The gift could not be fairly assessed and processed before calendar year end as per Canada Revenue Agency gift-in-kind guidelines.
- d) The gift could financially or morally jeopardize the donor and/or HPIC.
- e) The gift or terms of the gift are illegal.
- f) HPIC is unable to honor the terms of the gift.
- g) An appropriate fair market value cannot be determined, or will result in unwarranted or unmanageable expense to HPIC.
- h) There are physical or environmental hazards to HPIC in accepting the offered gift.
- i) The gift involves false promises on the part of either party.
- j) The gift could jeopardize HPIC’s charitable status.
- k) The gift could improperly benefit any individual.



- l) The gift does not meet the acceptance criteria described in section 9 (d) (ii) of this Gift Acceptance Policy

\*Note: More information about the rules that govern Gift Acceptance in Canada can be found on **Canada Revenue Agency's web site, the charity division** at <http://www.cra-arc.gc.ca/tax/charities/menu-e.html>. Other sources also include [www.charityvillage.com](http://www.charityvillage.com) and <http://www.imaginecanada.ca/default.asp>.

## APPENDIX 1

### **Policy and Procedure for Valuation of Product & Supply Donations for Tax Receipting**

Health Partners International of Canada (HPIC) is a registered charity (BN: 119031524RR0001) in good standing with Canada Revenue Agency (CRA). HPIC's policy is to accept and receipt all Gift-in-Kind (GIK) donations at their Fair Market Value (FMV), with full compliance to all CRA guiding principles.

Please note and understand the following definitions from CRA Charities and giving glossary (<http://www.cra-arc.gc.ca/chrts-gvng/chrts/glsry-eng.html>), in relation to issuing a GIK receipt:

**Gift:** In most cases, a gift is a voluntary transfer of property without valuable consideration to the donor. However, for gifts made after December 20, 2002 a transfer of property for which the donor received an advantage will still be considered a gift for purposes of the *Income Tax Act* as long as we are satisfied that the transfer of property was made with the intention to make a gift. The existence of an advantage will not necessarily disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the fair market value of the transferred property. For gifts made after December 20, 2002, it is the eligible amount of the gift that is used to calculate the donor's donation tax credit or deduction.

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

**Fair market value:** Fair market value is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

**Eligible amount of gift:** This 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 qualified donee can issue a receipt.

**Advantage:** An 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. An advantage also includes any limited-recourse debt relating to the gift at the time it was made. However, the calculation of an advantage does not include taxes such as GST, PST, or HST. As well, it does not include gratuities unless they are included in the cost and are not discretionary.



**NOTE: Since no advantage is given to companies who donate pharmaceuticals to HPIC, the eligible amount of the gift is the FMV.**

When a company donates pharmaceuticals to HPIC, they are asked to fill out an HPIC Product Donation Sheet (PDS). The PDS includes all of the details of each pharmaceutical product to be donated, including the expected quantity, the unit of measure, the name and strength of the particular medicine, the DIN/NPN, Item#, Lot#, Expiry Date, and the donor company's usual Unit\$. Once the donation has been received at HPIC's Distribution Centre, all physical/visual details are verified against the actual product that has been received. All noted discrepancies are made clear on the printed PDS. An electronic PDS discrepancy report is also provided back to the donor company.

HPIC encourages each donor company to provide our accounting department with a current version of their published price list. **This price list would reflect the prices that the company charges its normal client base for its products.** Pharmaceutical manufacturers, whose normal client base are wholesalers, would provide a wholesale price list. Pharmaceutical wholesalers donating to HPIC would be asked to provide price lists used for their specific client base (the drug store, for example).

### **VALUATION VALIDATION PROCESS FOR DONATED PHARMACEUTICALS**

HPIC investigates and validates the FMV for 100% of all pharmaceutical items received under its GIK program. The process for validation includes referencing one or more of the following, in descending order:

- Donor company current published price list (from donor company's normal client base; document title to include donor company name as well as full listing of donor company products)
- Canadian Provincial Formularies and/or IMS **Delta PA** wholesale
- Competitive products FMV from a price list or provincial formulary or IMS **Delta PA**
- Previous donation history not exceeding one year, providing it is well documented
- Internet research (guidelines follow)
- Visits or telephone calls to pharmacies or pharmacists with a written record kept on file

When the FMV cannot be validated from the above research, the donor company may provide satisfactory proof to HPIC that the donated product was sold to one or more customers in Canada, within the last twelve months, at the same or higher price than the value claimed on the PDS accompanying the donation. Should the donor company not be willing to provide HPIC with the necessary proof, HPIC will offer an internet research FMV valuation if one is available (see FMV Internet Research Guidelines). As a last resort, HPIC will offer a receipt based on the values from the current MSH International Drug Price Indicator.

If any of the above processes does not yield a FMV, HPIC will receive the donated item(s) at \$0.00.

Should a satisfactory outcome not be reached between Donor Company and HPIC, the donor company may request that their product(s) be returned.

HPIC values its good standing with CRA and will not jeopardize its privilege to issue tax receipts. HPIC will issue receipts only for items actually received (not intended quantities, as when discrepancies arise). HPIC will not issue a tax receipt for an amount that is higher than what can be validated through its referencing and research process. While HPIC aims to establish a FMV for each donation received, HPIC will not issue a tax receipt for items where a FMV cannot be determined.

**All HPIC FMV validations must be kept on file, paper and/or electronic as necessary, for auditing and review processes.**



## **HPIC INTERNET RESEARCH GUIDELINES FOR VALIDATION OF FMV– Over the Counter Pharmaceuticals**

When HPIC validates the FMV of an over the counter (OTC) pharmaceutical, the following guidelines are considered and implemented as necessary:

- Brand name and generic pharmaceuticals vary greatly in price across various drug and big box stores. When validating an OTC product, it is best to compare products with identical ingredient and strength at least, as well as the same packaging format when available. Donations coming from pharmaceutical companies producing generic pharmaceutical products can be validated from as little as 5% of retail price to as high as 50% of retail price. The validation of pharmaceutical products coming from brand/ name OTC medicines should not exceed 60% of retail price.
- When it is necessary to validate through a US website, the exchange rate from the Bank of Canada from the date the pharmaceuticals were received at the HPIC Distribution Centre is to be used.

Occasionally HPIC will be required to **establish** a FMV for an OTC product through internet research. When this becomes necessary, the following guidelines are considered and implemented as necessary:

- Preference is that FMV will be established for identical ingredient and strength products using an exact or as close as possible packaging format as can be found; brand is compared to (similar) brand, generic to (similar) generic
- Only in the absence of exact ingredient matches will a competitor's similar product be considered for establishing a FMV
- FMV will be established at **no more than** 60% of retail price
- When it is necessary to establish a FMV through a US website, the exchange rate from the Bank of Canada from the date the pharmaceuticals were received at the HPIC Distribution Centre is to be used; FMV will be established at no more than 60% of retail price

## **HPIC FMV INTERNET RESEARCH GUIDELINES – Prescription and Hospital Pharmaceuticals**

Very rarely, HPIC will be required to validate or establish a FMV for prescription or hospital pharmaceuticals. All other steps of valuation policy must be fully investigated before internet research is considered. Should internet research be necessary to validate or establish a FMV for these pharmaceuticals, the following guidelines are considered and implemented as necessary:

- Exact product matches, including manufacturer, ingredient(s), strength and packaging format are preferred
- Competitor manufacture's similar products will be considered only when exact matches cannot be found
- FMV will be established at 60% of retail price
- When it is necessary to establish a FMV through a US website, the exchange rate from the Bank of Canada from the date the pharmaceuticals were received at the HPIC Distribution Centre is to be used; FMV will be established at no more than 60% of retail price

HPIC values its good standing with CRA and will not jeopardize its privilege to issue tax receipts. HPIC will issue receipts only for items actually received (not intended quantities, as when discrepancies arise). HPIC will not issue a tax receipt for an amount that is higher than what can be validated through its referencing and research process. While HPIC aims to establish a FMV for each donation received, HPIC will not issue a tax receipt for items where a FMV cannot be determined.

**All HPIC FMV validations must be kept on file, paper and/or electronic as necessary, for auditing and review processes.**