

## **Charity fund raising case study**

### **Case**

A charity is holding a fundraising dinner with an awards and recognition ceremony. The charity has received sponsorship of \$12,000 for the event. The sponsor has received 4 tickets to the event, recognition in the event program and will receive recognition in the newspaper after the event. They have sold 200 tickets (includes the sponsorship tickets) at \$150 each to attend the event. The fair market value of the meal that is being provided is \$50.

When guests arrive they are given a ticket to be eligible for a door prize worth \$500. They are also provided with a gift at the door with a value of \$10.

At the event, the charity is selling raffle tickets at 5 for \$100 to win airline tickets with a fair market value of \$3,000.

A silent auction is also being held with numerous items for sale. One item is a painting donated by a supporter of the charity. Its fair market value is \$500 and it is purchased for \$750. A second item is a week at a timeshare donated by an individual. The fair market value is \$2,000 and it is purchased for \$1,500.

Who will be eligible to receive charitable donation receipts and for how much?

(Note that eligibility does not necessarily mean that a receipt will be issued. The charity must decide whether to issue a receipt(s))

What is the eligible amount of the tax donation receipt.

Answers on next page

## Answer

#	Contributor	Comment	Calculation	Receipt
1	Sponsor	Sponsorship is a marketing expense. No donative intent.	(Cannot determine fair market value of benefits/advantage)	No receipt
2	Guests	<p>Before calculating the eligible amount of the tax donation receipt, you need test the FMV of “small items” - e.g the door prize and gift against the <i>de minimis</i> rule.</p> <p>What is de minimis? The <i>de minimis</i> rule allows a donor to receive an official donation receipt for the full amount of their donation, when the advantage that the donor receives does not exceed the lesser of \$75 or 10 per cent of the amount of the gift to the registered charity.</p> <p><b>Note:</b> At fundraising events the object of the event (in this case the meal) is not considered when determining <i>de minimis</i>.</p>	<p>Door prize <b>2.50</b> (probability – value \$500 / # of guests 200)</p> <p>Gift = <b>10.00</b></p> <p>Total <b>12.50</b> is less than 10% of 150.00</p>	Door prize and gift do not affect the amount of the receipt, because they satisfy the <i>de minimis</i> rule.
2	Guests	<p>Tax donation receipt for event is ticket price less FMV of advantage(s) (meal).</p> <p>Advantage(s) cannot exceed 80% of the price of the event, which is 150.00\$</p>	<p>Payment \$150.00 Less FMV of meal \$ 50.00</p>	Eligible amount on the tax donation receipt is \$100.00
3	Raffle gift donor	Fair market value of the gift		\$3,000.00
4	Painting donor	<p>Fair market value of the painting.</p> <p>Be careful of valuation.</p>		\$500.00

		Professional artist, may be valued if out of inventory. Donation FMV should be checked to determine if the Deemed Fair Market Value Rule must be applied.		
5	Painting purchaser	Excess of amount paid over FMV of painting if intention to make a gift threshold met.	\$750.00 less \$500.00  <b>(Note:</b> the value of the auction item must be posted before the start of the auction and the fair market value of the property the bidder receives should not exceed 80% of the amount paid (Intention to Make a Gift rule)	\$250.00
6	Timeshare donor and purchaser	CRA does not consider use of a timeshare as a transfer of property		No receipt