

**NAPA COUNTY
AUDITOR-CONTROLLER'S OFFICE**

RECOMMENDED PROCEDURE:

Acceptance and Disbursement of Gifts, Bequests
or Devises (excluding the Library)
a.k.a. Donations

**DATE OF ORIGINAL
ISSUANCE:**

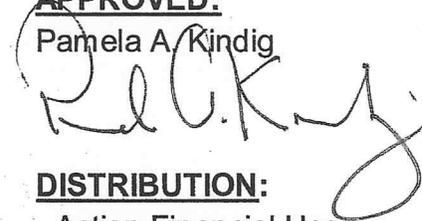
8/1/05

REFERENCE:

Government Code Section 25355
Resolution #05-40

APPROVED:

Pamela A. Kindig



EFFECTIVE DATE:

10/9/07

DISTRIBUTION:

- Action Financial Users
- Action Status Meeting
- Action Users Group
- Department Heads

REVISION DATE:

10/9/07

NUMBER:

1

SUBJECT Acceptance and Disbursement of Gifts, Bequests or Devises (excluding the Library)

OVERVIEW Pursuant to Government Code section 25355 and in accordance with Resolution No. 05-40, the Board of Supervisors has delegated the responsibility to accept gifts, bequests or devises in the aggregate amount of \$1,000 or less, to the County Auditor-Controller. For gifts, bequests or devises in excess of the aggregate amount of \$1,000 a request for acceptance is required to be filed with the Board of Supervisors describing the source and value of each gift, bequest or devise to be received.

RECOMMENDED PROCEDURE: The following procedure is to be followed by Departments for accepting gifts, bequests or devises (donations).

I) ACCEPTANCE OF DONATIONS

A) PRELIMINARY ASSESSMENT

- 1) Type of Donation
 - (i) Cash – Cash, Checks and Money Orders
 - (ii) Non-Cash – Merchant Gift Cards or Certificates, Capital Assets, perishable goods, and other non-perishable goods.
- 2) Determine if the donation to be received can be utilized in accordance with statutes and County policy. If there are any questions on the utilization of the donation(s) then the Departments' County Counsel representative must be consulted.
- 3) If non-cash donations are received, the department must consult with its assigned County Executive Office (CEO) Analyst or the Auditor-Controller's Office (Accounting Section) to determine how the non-cash item should be recorded and safeguarded. Refer to Section IV for further guidance on donation certificates and donation cards.
- 4) For capital assets over \$5,000, refer to the County's Capitalization Policy for further instructions.

B) ACCEPTANCE (\$1,000 or less)

- 1) Acceptance of gifts between \$25 to \$1,000
 - (i) Notify the Auditor-Controller's Office in writing on the day of receipt that a donation between \$25 and \$1,000 was received and not yet deposited. This may be accomplished via e-mail at donations@co.napa.ca.us. Include in the notification the following:
 - (a) The donor's name (when available)
 - (b) Description of the donation (cash, property, merchant gift certificates and other non-cash items)
 - (c) The amount of the donation (if cash)
 - (d) The purpose of the donation (what it will be spent on)
 - (e) Date donation received

- (ii) The Auditor-Controller's Office will provide written feedback within two (2) business day(s) that the donation may be accepted on behalf of Napa County.
- (iii) Donations must be recorded within one (1) business day after approval for acceptance has been obtained – See Section II for recording of donations.
- (iv) The Department receiving individual donations with a value between \$25 to \$1,000 or an aggregate value of multiple donations from the same donor between \$25 to \$1,000, must prepare a written correspondence (e-mail, memorandum or letter) to the donor, within one (1) business day after approval for acceptance has been obtained and include the following (see example at Exhibit B):
 - (a) Description of the donation (cash, property, merchant certificates and other non-cash items)
 - (b) The source/donor of the donation.
 - (c) The value of each cash donation. Non-cash donation can not be valued on the letter or receipt provided to the donor. Per the Internal Revenue Service this valuation must be performed by the donor.
 - (d) (OPTIONAL) Certification that the recipient of the donation is a political subdivision of the State of California. The following is the recommended certification:

“This letter is to certify that Napa County is a political subdivision of the State of California organized pursuant to California Constitution, Article XI, Section 1, which is exempt from property taxation per California Constitution, Article XIII, Section 3, subdivision (b). Also, as a political subdivision of the State, the County's governmental activities are immune from Federal taxation pursuant to the legal principal of intergovernmental immunity. For your reference, the County's Federal tax identification is 94-6000525.”

2) Less than \$25 and no acknowledgement.

Beginning in 2007, Internal Revenue Code Title 26, Subtitle A, Chapter 1, Subchapter B, Part VI, Section 170 (f) (8) stipulates that an individual cannot deduct a cash contribution, regardless of the amount, unless they keep as a record of the contribution a bank record such as a canceled check or a written communication (letter or receipt) from the charity (department and/or program). The written communication

must include the name of the charity, date of the contribution, amount of the contribution and that the donor did not receive anything in return for the donation (i.e. book, tape, dinner, etc.).

- (i) Record the donation, per section III.
 - (ii) Report the monthly amount received to the Auditor-Controller's Office by the 15th day of the subsequent month.
- 3) Less than \$25 and acknowledge requested.
- (i) For Cash, a receipt must be issued and recorded in accordance with section III.
 - (ii) For Non-Cash – the procedures outlined in Section III. and Section V must be followed.

C) ACCEPTANCE (in excess of \$1,000)

- 1) Prepare a Board Letter on the day the donations is received that will be presented to the Board at the first available Board meeting, include at a minimum the following:
 - (i) Description of the donation (cash, property, merchant certificates and other non-cash items)
 - (ii) The source of the donation.
 - (iii) The value of each donation.
 - (iv) How the donation will be used.
- 2) Await instructions if the donation can be accepted or must be rejected from Board of Supervisors (BOS).
- 3) Upon receiving instructions from the BOS's designee, a thank you letter expressing the County's appreciation of the donation should be issued immediately (See Exhibit B for an example). The following must be included:
 - (i) Description of the donation (cash, property, donation certifications and other non-cash items)
 - (ii) The source of the donation.
 - (iii) The value of each cash donation. Non-cash donation can not be valued on the letter or receipt provided to the donor. Per the Internal Revenue Service this valuation must be performed by the donor.

- (iv) (OPTIONAL) Certification that the recipient of the donation is a political subdivision of the State of California. The following is the recommended certification:

“This letter is to certify that Napa County is a political subdivision of the State of California organized pursuant to California Constitution, Article XI, Section 1, which is exempt from property taxation per California Constitution, Article XIII, Section 3, subdivision (b). Also, as a political subdivision of the State, the County’s governmental activities are immune from State and Federal taxation pursuant to the legal principal of intergovernmental immunity. For your reference, the County’s Federal tax identification is 94-6000525.”

- 4) Donations to the County, a local government, are considered contributions and are tax deductible in accordance with the Internal Revenue Code Section 170(c)(1) and California Revenue and Taxation Code section 24359, if they are to be used for a public purpose.

II) DONATION – DECLINED

Upon notification from the Auditor-Controller’s Office or based on the actions of the Board of Supervisors that the Donation has been declined, the Department must:

- A) Draft a letter within one (1) business day of receiving notification that the donation has been declined. The letter must express the County’s appreciation and include an explanation that the donation was not accepted by the Auditor-Controller or the County’s Board of Supervisors and if available the reasons for declining the donation.
- B) Return the donated item to the donor through certified-return receipt mail if it can be easily mailed (checks, money orders or merchant gift certificates/cards) or if the donation is cash or not easily mailed then request, within the letter noted in step A, that the donor must retrieve the item within two (2) weeks from the date of the notification letter.

III) RECORDING THE DONATION

- A) If a cash donation is received, the amount received must be recorded in revenue account #48042000 – Donations.
- B) For non-cash donations:
 - 1) The amount received must be logged and tracked. Refer to section V.

- 2) By July 1st each year, the value of non-cash donations on hand at June 30 must be reported to the Accounting Section of the Auditor-Controller's Office.
- C) If the donation is a capital asset, the Auditor-Controller's office Accounting Section must be consulted in the recording of the donation.

IV) REPORTING TO THE BOARD OF SUPERVISORS (\$1,000 or less)

- A) At the end of each quarter, the Auditor-Controller will prepare a report to the Board of Supervisors for any donations received and declined in the aggregate amount of \$1,000 or less per occurrence.
- B) The report must include:
 - 1) The total value of the donations received.
 - 2) The Department receiving and utilizing the donation.

V) RECORDS MAINTENANCE

A) NON-CASH DONATIONS

- 1) The department must keep a detailed log of the merchant gift certificates and/or cards or other non-cash items received. A separate log should be maintained for each allotment of merchant gift certificates and/or cards or other non-cash items from each donor.
- 2) The initial entry should list the certificates, card numbers or other specific identification of the non-cash items. (See Exhibit A for an example of the log.)
- 3) Disbursement approval of the non-cash items (merchant gift certificates/cards and other non-cash items) will be provided in writing by a member of the Department staff that has been authorized by the Department Head or their designee.
- 4) After the distribution of the donation is approved, the merchant gift certificate and/or card number or identification of the non-cash item must be logged out (See attached example of the log.)
- 5) The written documentation must be filed with the log indicating issuance. (See attached example of the log.)
- 6) The dollar value balance on the log for June 30th must be reported to the Auditor-Controller's Accounting Section by July 1st of every year for financial statement purposes.

B) CASH DONATIONS

- 1) If a trust account is necessary, then claims or journal entries against the trust account must be supported with detailed documentation reflecting that the request meets the purpose of the trust and the claim must be approved per County policy. (See Accounts Payable and Trust Procedures)

VI) SAFEGUARDING AND ACCOUNTABILITY

- A) Cash donations awaiting the acceptance of the Auditor-Controller or the Board of Supervisors must be kept in a locked box in a locked drawer or in a locked safe until deposited.
- B) The merchant gift certificates and/or cards and other non-cash items should be kept in a locked box in a locked drawer, in a locked safe with limited access or in a secured location.
- C) Large (over \$1,000) non-cash items such as furniture or vehicles must be tracked on the log noted in Section IV.A. and safeguarded to the extent possible in a secured location until acceptance of the item is granted by the Board of Supervisors.
- D) Small (between \$25 and \$1,000) non-cash items such as merchant gift certificates and blankets must be tracked on the log noted in Section IV.A. and safeguarded in a secured location until acceptance of the item is granted from the Auditor-Controller' Office.
- E) The Auditor-Controller's Department at its discretion will examine the donation certificate, donation card and other non-cash item log.

VII) UTILIZATION OF DONATION

- A) Donations must be used in accordance with the laws and regulations governing the County of Napa and the department utilizing the donated item.
- B) If the donation has been received as a bequest, then the donation must be used in accordance with the will of the decedent.
- C) The donations must be used to enhance the well-being of the citizens of Napa County and operations of the County departments serving the citizens of Napa County.

VIII) DISPOSITION OF DONATION

- A) In accordance with Government Code section 25355, the Board must approve the disposal of the property and any income derived from the donations for those lawful uses and purposes as are prescribed in the terms of the donation, bequest, or devise. Pursuant to Government Code Section 25355, the approval process for the disposition of donations is not designated.
- B) Board approval of the disposition and disbursement of donations can occur through various means.
 - 1) The Department could obtain, or may have, a resolution from the Board of Supervisors that allows them to dispose and disburse the donation(s) in accordance with the terms of the donation and the code sections governing the department.
 - 2) Prepare a consent item, when necessary, for disbursements to specific individuals to be approved.
 - 3) Cash donations that are being maintained in a trust account can be approved by the Board to be transferred to the General Fund Budget Unit through the budget process prior to the fiscal year commencing.
 - 4) Cash donations that are being maintained in a trust account can be approved through the budgetary transfer process that is overseen by the County Executive Officer.
 - 5) Refer to the County's Fixed Asset policy for the disposal of other non-cash capital asset items.