

CALIFORNIA POLYTECHNIC STATE UNIVERSITY
SAN LUIS OBISPO
GIFT-IN-KIND (“GIK”) ACCEPTANCE PROCEDURES

DEFINITIONS

Accounting Standards are financial accounting rules that regulate the manner in which GIK are to be recorded in the recipient organization’s books of account and financial statements. Rules promulgated by the Governmental Accounting Standards Board (GASB) apply to GIK given to the California Polytechnic State University (“Cal Poly” or “University”), Cal Poly Foundation (“Foundation”), the Cal Poly Corporation (“Corporation”), and the Associated Students, Inc. (“ASI”).

CASE is the acronym for the Council for the Advancement and Support of Education. These GIK procedures are intended to follow CASE Reporting and Management Guidelines as published from time to time except to the extent superseded or modified by policies established by the California State University System (“CSU”).

Gift-in-Kind is a donation of tangible or intangible personal property that will be retained and used by or for the benefit of the University. Generally, all gifts of property other than cash that will not be promptly marketed to convert them into cash will be GIK. The following GIK are not considered charitable contributions and will not be given credit or included in the University’s annual fund-raising totals:

- Use of real property (e.g.: use of conference room or home; donation of a vacation home as an auction prize)
- Contributed services or volunteer labor
- Printing or design work (although the cost of materials may be credited)
- Discounts on purchases of inventory
- Costs of appraisal
- Shipping & transit insurance costs
- Sales or use tax
- Leases of equipment at market rates
- Property given to Cal Poly as a permanent loan
- Temporarily loaned equipment

Gifts of real estate are not considered to be gifts-in-kind and are not included in the GIK Acceptance Procedures.

Gift Acceptance Committee is defined within the Cal Poly Gift Acceptance Policy. The committee must approve those GIK described in *Step 3* of this procedure and will, as they deem appropriate, confer with the President and/or other consultants/advisors before making a decision about the acceptance of a gift.

GIK Acceptance Form is the documentation required for all GIK as noted in this procedure and is available on the University Advancement website at: <http://advancement.calpoly.edu/forms>.

University Advancement records all GIK valued at \$100 or more in the University's gift recording system.

Legal/Hard Credit is the value of a gift recorded as a donation by University Advancement on its gift recording system in accordance with CASE guidelines as modified by the CSU.

Export Controlled Items are donated property that fall under federal export regulations and military and commercial applications, such as spacecraft, air vehicles, flight simulation software, or other components. These items require compliance and safeguarding in accordance with State Department International Traffic in Arms Regulations (ITAR) and Department of Commerce Export Administration Regulations (EAR).

Qualified Appraisal is an appraisal that complies with all of the requirements of IRS regulations and is conducted by a Qualified Appraiser in accordance with generally accepted appraisal standards. Details about the requirements for a Qualified Appraisal are included in Appendix A.

Qualified Appraiser is an individual who has earned an appraisal designation from a recognized professional organization or has otherwise met minimum education and experience requirements under IRS regulations. Additional details about the requirements to be a Qualified Appraiser are included in Appendix A.

Recognition/Soft Credit is the value of a gift that may **not** be recorded as a donation under CASE guidelines, as modified by the CSU, but is instead recorded by University Advancement's gift recording system for purposes of recognizing the donor of the gift. Many GIK that cannot be recorded with Legal/Hard Credit may be given Recognition/Soft Credit.

ACCEPTANCE OF GIFTS-IN-KIND

All gifts-in-kind offered to Cal Poly must be reviewed for formal acceptance and acknowledgment. Prior to acceptance, University Advancement must determine if the gift can be used to advance the mission of Cal Poly or readily can be converted to cash. Cal Poly reserves the right to decline any gift that does not further the University's goals or involves special maintenance or other conditions the University would be unable to satisfy. The donor is responsible for making arrangements to deliver the gift.

All gifts of equipment must be approved by the appropriate dean or Vice President, upon the recommendation of a faculty member or a principal investigator. The college/unit will be responsible for the cost of installing and maintaining the equipment. University Advancement will be responsible for monitoring whether or not the property is sold during the three (3) years following the gift, necessitating the filings of IRS form 8282. Equipment gifts are also recorded in Cal Poly's Fiscal Services and Property Accounting system if they meet the University's capitalization threshold of \$500 or more with a useful life of more than one (1) year.

Step 1: Determine the appropriate campus recipient of the GIK

The appropriate campus entity to accept a GIK is typically determined by the nature of the gifted property and its intended use. The accepting entity must be identified early in the GIK

acceptance process so that it can participate in and ensure the completion of the actions necessary to accept the gift. Faculty and other employees who are approached by prospective GIK donors should advise and obtain the support of a college development officer or the Cal Poly Trust Administrator in completing the gift acceptance. Potential GIK must be assessed as to whether the gift can be used to advance the mission of Cal Poly through its direct use or could be readily converted to cash.

In general, recipients of GIK are determined as follows:

- **University** (the state) is the donee for gifts of equipment and other gifts-in-kind that will directly benefit the instructionally-related activities of the University. The University should not be the recipient of GIKs intended for sale. A faculty or staff member at Cal Poly should be listed as the recipient of the Gift-in-Kind on the Gift-in-Kind Acceptance Form (<http://www.advancement.calpoly.edu/content/forms/index>). If students are involved in the receiving of a gift, the faculty or staff member who is both overseeing the work of the students and taking responsibility for the gifts that are received will be the appropriate person to list on the GIK Acceptance Form.
- **Corporation** is the donee for gifts of equipment that will be used for the enterprise ventures on the campus or sponsored research, patents, copyrights, and for gifts of animals.
- **Foundation** is the donee of gifts-in-kind contributed with the understanding that the gift may be sold.
- **ASI** is the donee of gifts-in-kind contributed to benefit ASI programs.
- GIK to **Clubs** are considered gifts to the University rather than to ASI and depending on the nature of the GIK will be accepted by the University, the Corporation or the Foundation.

Step 2: Submit a Gift in Kind Acceptance Form

A completed Gift in Kind Acceptance Form is required for all gifts. The Date of Gift is the date upon which the property is delivered to Cal Poly with a completed Gift in Kind Acceptance Form.

GIK With a Value Less than \$5,000

Part A of the GIK Acceptance Form is required for GIK with a value between \$100 and \$5,000 (see <http://www.advancement.calpoly.edu/content/forms/index>). The donor must provide written documentation demonstrating the value of the gift before any value can be entered as Legal/Hard Credit on the University's gift recording system. Acceptable forms of written documentation include:

- donor Declaration of Value form (<http://www.advancement.calpoly.edu/content/forms/index>)
- an itemized inventory list
- an invoice or letter from the vendor/donor
- published information confirming the gift value

In the absence of such documentation, the gift will be recorded with a nominal value (\$1).

GIK With a Value of \$5,000 or More

Parts A & B of the GIK Acceptance Form are required for any GIK with a value greater of \$5,000 or more (see <http://www.advancement.calpoly.edu/content/forms/index>).

Corporations and businesses

In most cases, GIK that are produced or manufactured by a corporation or other business making the contribution, and that have a value more than \$5,000, must include one of the following:

- an itemized inventory list
- an invoice or letter from the vendor/donor
- published information confirming the gift value in lieu of an appraisal.

GIK are recorded at their educational discount value (price the University would have paid to acquire the item had the item not been donated) if an educational discount value exists. If no educational discount value exists, Legal/Hard Credit for the donation is recorded at the fair market value exclusive of sales tax, shipping costs, appraisal fees, or similar expenses.

Individuals

In order to record Legal/Hard Credit for a GIK that does not have a readily ascertainable market value, and to satisfy Accounting Standards, the GIK Acceptance Form must be accompanied by a Qualified Appraisal. See Appendix A for the standards on Qualified Appraisals. This appraisal cannot be made earlier than 60 days prior to the date of the gift. If the value of the gift in the appraisal is listed as a range of values, the gift will be booked at the midpoint of the range of values. The Donee may either accept a Qualified Appraisal provided by the donor or may, at the Donee's expense, commission an independent Qualified Appraisal.

Step 3: Determine if the Gift Acceptance Committee must approve the gift

The following GIK require written approval from the Gift Acceptance Committee due to the special financial and/or liability issues they raise:

- Gifts that require an obligation on the part of University, Foundation, Corporation or ASI to make expenditures for which there is no established funding source
- Gifts that require construction/renovation of facilities not previously authorized by the University
- Gifts that substantially increase potential liability or risk for University, Foundation, Corporation or ASI
- Export Controlled Items
- Works of Art and Collections
- Patents, trademarks or technology rights

Step 4: Complete additional procedures for the following special GIK categories

Contributed Services / Gifts of Services:

Following CASE, accounting, and IRS guidelines, contributed services are not considered charitable donations eligible for Legal/Hard Credit. Contributed services/gifts of services are eligible only for Recognition/Soft Credit. Further, Recognition/Soft Credit is given only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributions of broadcast time and newspaper space are also considered contributed services and are eligible for recognition credit only.

Transport of Cal Poly employees via unscheduled private airplane is considered a Gift of Services, and, consistent with CSU policies, the following information must be provided:

- Pilot name
- Pilot's License Number
- Verification of Pilot's recent Flight Time and experience hours
- Type of Aircraft
- Evidence of Aircraft Liability Insurance with \$50,000,000 Combined Single Limit per occurrence
- Insurance Carrier contact info
- Certificate of Insurance and Additional Insured endorsement naming Cal Poly as the Additional Insured

Reporting contributed services on the Gift-in-Kind Acceptance Form will enable the University to give Recognition/Soft Credit recognition to the contributor of the service.

Export Controlled Items:

- Donors and staff should be familiar with Cal Poly's Export Control Policies prior to donation, available through the Grants Development Office
- The Dean of the College receiving the gift will issue a memorandum to University Advancement containing the following information:
 - Value as provided from donor on official letterhead (e.g. from documented Contract Line Item Numbers).
 - Intended use including all potential end-users
 - Plans for safeguarding the material from foreign nationals (e.g. planned facility to be used for limited access)
 - Type of insurance requirements (to be funded by the College)
- All users will be familiar with Export Control Regulations. Faculty and College staff that will manage the donated items must acknowledge familiarity with Cal Poly's Export Control Policy including regulations that require safeguarding the material in a controlled environment and preventing foreign nationals (including students) from access to the export-controlled items.
- Faculty members teaching courses with or otherwise utilizing the donated material are required to obtain certification through the Cal Poly Grants Development Office (http://www.grants.calpoly.edu/2_Laws.html).

Software:

Gifts of software are subject to the University's "Policy on Decisions to Acquire or Develop Software Applications and Services," available online (http://security.calpoly.edu/content/policies/software/sw_dec_sgp). This policy identifies criteria which are used to determine whether the University will accept a gift of software. All requirements of this policy must be satisfied before software can be accepted as a GIK.

Pursuant to CSU policy, which is different than CASE standards, software GIK generally cannot be given Legal/Hard Credit but can be given Recognition/Soft Credit for fair value pursuant to the rules applicable to other GIK. In very limited circumstances, "off the shelf" software with a perpetual license and an established retail or education discount value may be eligible for Legal/Hard Credit. University Advancement will determine whether Legal/Hard Credit applies under CSU policy. In all cases, only the license value of computer software should be valued, not the number of seats. Any fee charged to the campus or department for the license is to be deducted from the total gift value booked. Licenses having expiration dates are not considered gifts and are ineligible for Recognition/Soft Credit.

Works of Art and Collections:

The Gift Acceptance Committee must approve all gifts of artwork, archives, literary collections, historic papers and other creative gifts, other than those accepted with the intent to market and convert to cash. The Art Acquisition Committee must review proposed gifts of artwork. In evaluating whether to accept such gifts, the Committees may:

- Request additional information from the donor and/or the artist/creator
- Request a review by faculty experts
- Engage consultants at the expense of the donor

Patents, Trademarks, and Other Technology Rights:

- The Cal Poly Corporation is the appropriate recipient if the GIK is research related or donated to a Corporation commercial activity.
- Gifts of patents, trademarks, and other technology rights may be recorded for Legal/Hard Credit or Recognition/Soft Credit, depending on the documentation provided by the donor. A qualified written patent appraisal from a qualified appraiser, provided by the donor, is required for Legal/Hard Credit. Otherwise Cal Poly will record the donation at a nominal value (\$1). Following CASE recommendations, income generated from these gifts in the future will be recorded as Recognition/Soft Credit.
- The donor is expected to pay the recordation fees in the appropriate copyright and patent offices associated with the transfer of the patent, trademark, or other technology rights. If the donor does not agree to cover this cost, the Dean of the College in which the patents, trademarks, and other technology rights will be used must assume responsibility and accountability for the recordation fees and filing.
- The Dean of the College in which the patents, trademarks, and other technology rights will be used must assume responsibility and accountability for any costs associated with

due diligence efforts to confirm the validity of any patent, trademark or other technology rights, and for any expenses related to defending the patent, trademark or technology right.

- The donor is also expected to make a cash contribution that will cover the cost of finalizing such rights or renewing the donated patent, trademark, and technology rights. If the donor does not agree to cover this cost, the Dean of the College in which the patents, trademarks, and other technology rights will be used must assume responsibility and accountability for all such rights or renewal expenses.

Step 5: Appropriate campus entities account for and acknowledge receipt of the GIK

Recipient Entity

Every GIK must be accepted by one of the recipient entities identified in *Step 1* above. The recipient entity is responsible for determining how to record the receipt of the GIK on its books of account, inventorying, safeguarding and insuring the property as appropriate based on the nature of the property and its use.

For GIK over \$5,000 a donor may choose to complete and submit IRS form 8283 to claim a charitable deduction for the GIK. Cal Poly will acknowledge form 8283 upon request by the donor. The acknowledgement of this form does NOT represent agreement with the donor's claimed fair market value. By signing this form, Cal Poly agrees to file IRS Form 8282 with the Internal Revenue Service in the event it sells, exchanges, or otherwise disposes of the donated property (or any portion thereof) within 3 years of the date of receipt. A copy of completed Form 8282 will also be given to the donor.

University Advancement

University Advancement records all GIK over \$100 in the University's gift recording system. The recipient of the gift is responsible for ensuring that information about an accepted GIK is provided to University Advancement. This information requirement is satisfied by delivery, as appropriate, of a copy of the GIK Acceptance Form and/or a copy of the written approval for a GIK by the Gift Acceptance Committee. In the absence of these two documents, a written or electronic communication that includes the following information is necessary:

- Name and address of the donor
- Donee entity
- Value of the gift
- Nature of the gift property and its intended use
- Any terms affecting the property or its use

University Advancement sends an official tax receipt from University Advancement that includes the description of the gift and the gift designation. The receipt describes the donated property but **does not include** the estimated cash value or the appraised value of the gift. IRS requirements for gift substantiation direct that it is the donor's sole responsibility to determine a gift-in-kind value for tax purposes.

Appendix A
(from IRS 561)

Qualified Appraisal: A qualified appraisal is an appraisal completed by a Qualified Appraiser that includes the following information:

- A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed.
- The physical condition of any tangible property.
- The date (or expected date) of the contribution.
- The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale, or other disposition of the donated property, including, for example, the terms of any agreement or understanding that:
 - Temporarily or permanently restricts the donee's right to use or dispose of the donated property
 - Earmarks donated property for particular use or
 - Reserves to, or confers upon, anyone (other than the donee organization or an organization participating with a donee organization in cooperative fundraising) any right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property.
- The name, address and taxpayer identification number of the Qualified Appraiser, and, if the appraiser is a partner, an employee, or an independent contractor engaged by a person other than the donor, the name, address, and taxpayer identification number of the partnership or the person who employs or engages the appraiser.
- The qualifications of the Qualified Appraiser who signs the appraisal, including the appraiser's background, experience, education, and membership in professional appraisal associations.
- A statement that the appraisal was prepared for income tax purposes.
- The date (or dates) on which the property was valued.
- The appraised fair market value on the date (or expected date) of contribution.
- The method of valuation used to determine the fair market valuation.
- The specific basis for the valuation, If a sales comparison is used, then details must be provided for any specific comparable sales transactions.

Qualified Appraiser A qualified appraiser is an individual who meets all of the following requirements:

- Has earned an appraisal designation from a recognized professional appraisal organization for demonstrated competency in valuing the type of property being appraised, or
- Has met certain minimum education and experience requirements. For real property, the appraiser must be licensed or certified for the type of property being appraised in the state in which the property is located. For property other than real property, the appraiser must

have successfully completed college or professional-level coursework relevant to the property being valued, must have at least 2 years of experience in the trade or business of buying, selling, or valuing the type of property being valued, and must fully describe in the appraisal his or her qualifying education and experience.

- The individual regularly prepares appraisals for which he or she is paid or
- The individual demonstrates verifiable education and experience in valuing the type of property that is being appraised. To do this, the appraiser can make a declaration in the appraisal that, because of his or her background, experience, education and membership in professional associations, he or she is qualified to make appraisals of the type of property being valued.
- The individual has not been prohibited from practicing before the IRS under section 330(c) of title 31 of the United States Code at any time during the 3-year period ending on the date of appraisal.
- The individual is not an excluded individual (see below).

The following persons cannot be a Qualified Appraiser with respect to particular property:

- The donor of the property or the taxpayer who claims the deduction.
- The donee of the property.
- A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within two months of the date of acquisition and its appraised value does not exceed its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
- Any person employed by any of the above persons. For example, if the donor acquired a painting from an art dealer, neither the dealer nor persons employed by the dealer can be qualified appraisers for that painting.
- Any person related under section 267(b) of the Internal Revenue Code to any of the above persons or married to a person related under section 267(b) to any of the above persons.
- An appraiser who appraises regularly for a person above (donor, donee or party to the transaction) and who does not perform a majority of his or her appraisals made during his or her tax year for other persons.
- In addition, a person is not a qualified appraiser for a particular donation if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, if the donor and the appraiser make an agreement concerning the amount at which the property will be valued, and the donor knows the amount is more than the FMV of the property, the appraiser is not a qualified appraiser for the donation.