

SECTION: **GIFT-IN-KIND ACCEPTANCE**

SUBJECT: **POLICIES AND PROCEDURES** (Revised July 8, 2004)

GIFT-IN-KIND ACCEPTANCE

Gifts-in-kind support the polytechnic mission of the University and enhance the quality of the education offered to the students at Cal Poly. Donors of gifts-in-kind have a significant impact on the future of polytechnic education at Cal Poly. One of the primary goals of the following policies and procedures is the appropriate stewardship of these important donors.

Most gifts-in-kind can be reported immediately upon receipt on the Gift-in-Kind Acceptance Form described below. However, **the following types of gifts-in-kind require written approval from the Gift-in-Kind Acceptance Committee:** 1) gifts that require obligation on the part of the University, the Cal Poly Foundation, or Associated Students, Inc. (ASI) to expenditures for which there is no established funding source; 2) gifts that require construction/renovation of facilities not previously authorized by the University; or 3) gifts that substantially increase the liability or risk to the University, the Foundation, or ASI. This approval must be received **prior to acceptance of the gift from the donor**. A copy of the Committee's approval must be attached to the Gift-in-Kind Acceptance Form.

Members of the Gift-in-Kind Acceptance Committee include the Vice President of University Advancement, the Vice President of Administration and Finance, and the Executive Director of the Cal Poly Foundation. The Executive Director of ASI will be included on this committee for gifts to ASI. The committee will confer with the President before making a recommendation on the acceptance of the gift.

Gifts-in-Kind With a Value More Than \$5,000

All gifts-in-kind with a value more than \$5,000 are to be reported immediately upon receipt on the Gift-in-Kind Acceptance Form. This form is available on the Web at:
<http://advancement.calpoly.edu/forms>.

All gifts-in-kind from individuals and all gifts that require special expertise to establish the value, e.g. works of art, horses, etc., with a value more than \$5,000 must include an appraisal executed by a qualified independent appraiser. The 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.

Note: A description of qualified appraisers is included in the Additional Information section.

In most cases, gifts-in-kind that are produced or manufactured by the corporation or other business making the contribution and that have a value more than \$5,000 must include an itemized inventory list, an invoice or letter from the vendor/donor, or published information on the value of the items. Gifts of equipment and software should be booked at the educational discount value – the value the University would have paid had the equipment or software been purchased from the vendor.

Gifts-in-Kind With a Value Between \$100 and \$5,000

All gifts-in-kind with a value between \$100 and \$5,000 are to be reported immediately upon receipt on the Gift-in-Kind Acceptance Form. This form is available on the Web at:

<http://advancement.calpoly.edu/forms>.

Written documentation provided by the donor is required to establish the value of the gift for all gifts-in-kind. Any gift-in-kind with a value in the range of \$100 to \$5,000 that is not accompanied by the required documentation from the donor will be recorded on the University's gift record system at a nominal value (\$1). The Campus Expert Form can still be used to establish an internal value for gifts-in-kind valued at \$5,000 or less, but the internal value will be used for recognition credit only.

Gifts-in-Kind With a Value Under \$100

Cal Poly has established a minimum value for gifts-in-kind to be recorded on the University's gift record system. Gifts-in-kind with a total value of less than \$100 will not be processed by University Advancement. The department or program accepting the gift is encouraged to acknowledge the gift, but no gift-in-kind paperwork is required.

Special Types of In-Kind Contributions

Real Estate: Please refer to Appendix E of the University Advancement Manual for Policies and Procedures for Real Estate Gift Acceptance.

Software (CASE Guidelines): All gifts of software are subject to the following policies and procedures:

- The Gift-in-Kind Acceptance Committee will review all gifts of software with a value of \$10,000 or more prior to official acceptance and will make a recommendation regarding the recorded values.
- Gifts of software will be recorded at the educational discount value established in writing by the donor. If no educational discount is available, it must be so stated in written communication from the donor and the established retail value will be used.
- The donor must irrevocably transfer ownership of the software to the institution and this transfer of ownership must be documented in written communication from the donor. If use of the software license must be renewed at a later date, the transaction is not a gift.
- A gift of software can only be counted in the year that the gift is originally given. If free upgrades are given at a future date which have a higher established retail value, then the difference between the new retail value (less educational discount) and the original retail value (less educational discount) is countable as an additional gift.

For gifts of software, the Gift-in-kind Acceptance Form must be submitted to the Corporate and Foundation Relations Office along with appropriate documentation of the gift including:

- A letter from the donor on company letterhead documenting the dollar value of the software, including a statement of the educational discount value if it is available; letter must verify that the donor is irrevocably transferring ownership of the software given to the University. (A *Gift Agreement for Contributions of Software* is available from the Office of Corporate & Foundation Relations, ext. 67312.)
- A specific description of the software including the number and type of licenses (individual license, site license, etc.) and the stated value for each license;
- A copy of the gift agreement and all related documents;
- A statement of the planned administrative, academic or research use for the software.

Patents, Trademarks, and Other Technology Rights: All gifts of patents, trademarks, and other technology rights are subject to the following policies and procedures:

- The Gift-in-Kind Acceptance Committee will review all contributions of patents, trademarks, and other technology rights prior to official acceptance.
- The Cal Poly Foundation will be the donee for all gifts of patents, trademarks, and other technology rights.
- All contributions of patents, trademarks, and other technology rights will be accepted and managed by Research and Graduate Programs.
- Gifts of patents, trademarks, and other technology rights will be recorded at a nominal value (\$1) for both legal and recognition credit. Per CASE recommendations, income generated in the future as a result of these gifts can be recorded for recognition 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 to the Cal Poly Foundation. 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 for the recordation fees.
- The donor is also expected to make a cash contribution that will cover the cost of 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 for all renewal expenses.

Contributed Services: Based on CASE and FASB guidelines and IRS regulations, contributed services are not considered charitable contributions and will not be included in the University's annual fund-raising totals. However, contributed services are eligible for recognition credit if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and 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. Reporting contributed services on the Gift-in-Kind Acceptance Form will enable the University to give recognition credit to the contributor of the service.

Items Not Considered Charitable Contributions: Based on CASE and FASB guidelines and IRS regulations, the following types of in-kind contributions are not considered charitable contributions and will not be included in the University's annual fund-raising totals:

- Use of real property
- Discounts on purchases
- Costs of appraisal
- Shipping costs
- Sales tax

Permanent Loan: Property given to Cal Poly as a permanent loan will not be booked as a gift.

ADDITIONAL INFORMATION ON GIFTS-IN-KIND:

Gift Recipient 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. If students are involved in receiving the 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 Acceptance Form.

Donee of Gift In general, the University (the state) is the donee for gifts of equipment that will be used to enhance the education of the students on the campus and for gifts-in-kind that will directly benefit the University. The Foundation is the donee for gifts of equipment that will be used for the enterprise ventures on the campus, for all gifts of animals except for gifts of horses to the rodeo program, and for gifts-in-kind contributed with the understanding that the gift would be sold. ASI is the donee only for gifts-in-kind contributed to ASI programs.

Qualified Appraisal A qualified appraisal must include 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 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.
- The name and address of the qualified appraiser. Must include a disclaimer statement regarding any affiliation with the donor or the contributed property.
- The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education, and membership in professional appraisal associations.
- 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, such as any specific comparable sales transactions.

Qualified Appraiser A qualified appraiser is an individual who declares on the appraisal summary that he or she:

- Holds himself or herself out to the public as an appraiser or performs appraisals on a regular basis.
- Is qualified to make appraisals of the type of property being valued because of his or her qualifications described in the appraisal.
- Is not an excluded individual (see below).
- Understands that an intentionally false overstatement of the value of property may subject him or her to the penalty for aiding and abetting an understatement of tax liability.

Excluded Individuals The following persons cannot be qualified appraisers 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, married to, or related to 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.

Use of Real Property A contribution of the right to use real property will not be booked as a charitable contribution. The use of a conference room at a hotel for a faculty retreat at no charge or the use of a home for a visiting faculty member at no charge would be examples of this type of non-charitable contribution.

Bargain Sale A bargain sale refers to the sale of the donor's property to Cal Poly where the amount of the sales proceeds is less than the property's fair market value. The excess of the fair market value of the property over the sales price will be booked as a gift. Only Foundation discretionary funds can be used to complete the purchase. A bargain sale is **not** the purchase of inventory at a reduced price; this transaction would be considered a discount on the purchase – not a charitable contribution. The following items are included in a company's inventory:

- Merchandise or stock in trade
- Raw materials
- Work in process
- Finished products
- Supplies that physically become a part of the item intended for sale

GIFT-IN-KIND ACKNOWLEDGEMENTS

Gift acknowledgement letters and tax receipts for gifts-in-kind will only describe what was given and **never** include the estimated cash value or the appraised value of the gift. All donors making in-kind contributions \$250 and above will receive an official tax receipt from University Advancement that includes the description of the gift and the gift designation. The following statement is included on the receipt:

For tax reporting purposes, we verify that Cal Poly has provided no goods or services to you in return for this gift. The deduction you, the donor, receive from this gift may be limited according to IRS regulations. Please consult your tax advisor. The IRS may require submission of Form 8283 with your income tax report. We have forms and instructions available on request through our Corporate and Foundation Relations Office, (805) 756-7312.

Donors making in-kind contributions valued at \$100,000 and above will receive a gift acknowledgement letter from the President.