WESTERN ILLINOIS UNIVERSITY FOUNDATION

REAL ESTATE GIFT ACCEPTANCE POLICY

As Adopted July 10, 2013.

Purpose - This policy sets forth the requirements and guidelines governing acceptance of real estate gifts by the Western Illinois University Foundation ("Foundation") to ensure that all real estate gifts to the Foundation are structured to provide maximum benefits for both the donor and the Foundation. In addition, this policy:

1. Provides standards regarding the evaluation of real estate gifts, as well as provides a formal process for approval and acceptance of proposed real estate gifts.
2. Establishes requirements for and restrictions on the Foundation's acceptance of proposed real estate gifts.
3. Provides checklists to help assure timely communication with donors and meaningful evaluation of proposed real estate gifts.
4. Outlines the real estate evaluation, approval and acceptance related responsibilities of the Foundation Staff.
5. Outlines the real estate gift accounting-related responsibilities of the Foundation Staff.
6. Provides information regarding why donating property may be beneficial to donors.

Policy Review - This Real Estate Gift Acceptance Policy shall be reviewed at least once every five years by the Foundation Executive Officer, Director of Planned Giving, Foundation Executive Committee, and Foundation Accountant to ensure the relevance of its contents to donor relations and the Foundation's needs and focus. Recommendations for changes to the policy will be submitted to the Foundation Executive Committee for its review and action.

Real Estate Gift Requirements - The requirements and restrictions to be met in connection with the Foundation's approval and acceptance of a real estate gift are detailed below:

1. **Minimum Transfer Value.** The real estate shall have a minimum value of $35,000 as determined by an appraisal or market analysis. If the property is determined to be marketable and have a value in excess of $35,000 and no extraordinary circumstances exist (se defined below), the gift may be approved by the Foundation's Chief Executive Office and/or President.

    a. **Extraordinary Circumstances defined:**

        i. Minimum Value: The gift is valued at an amount in excess of $35,000

        ii. Marketability: It is the assumption that the property would sell on the open market within a 12 month period. This presumes the property is free of any liens or encumbrances, which would make the property unattractive to a potential purchaser.

        iii. Costs to Acquire: The costs to acquire the property are less than 20% of the market value of the property at the anticipated gift date.

        iv. Relationships: The donor's relationship to the Foundation is such that it would not cause potentially adverse tax consequences to the donor or the foundation if the property transfer occurs. To avoid excise taxes under "excess benefit tax rules," the Foundation should consult with legal counsel if it is believed the donor falls under the scrutiny of "Related Party" rules and definitions as defined by the Internal Revenue Service.

v. Use Restrictions: The donors restrictions to the use of the property are not so limiting as to inhibit the Foundation's ability to either use the property or the revenue generated from the land in a manner that the donor would find acceptable.

vi. Sale Restrictions: The restrictions placed on the potential sale of the land are not so restrictive as to either make it not feasible to abide by the donor's wishes or such that the sale would potentially cause adverse tax consequences to the donor or Foundation.

vii. Appraisal: The donor is responsible for performing and paying for a qualified appraisal of the property as defined by the Internal Revenue Service and required for tax deductibility. Form 8283, Noncash Charitable Contributions should be signed by the donor and provided to the Foundation after the property transfer.

viii. Donor Ownership Interest: The donor(s) owns 100% of the real estate in the form of fee simple ownership immediately prior to the gift. Fee simple ownership represents absolute ownership of real property.

2. **Foundation Checklist.** The Real Estate Gift Checklist (Appendix A) shall have been completed and filed for permanent retention with Foundation real property records located in Foundation Accounting. Answers to this checklist should be evaluated to determine if receipt of the property is beneficial to both the donor and the Foundation prior to acceptance of the gift.

3. **Evaluation.** All aspects of the Foundation's Real Estate Gift Acceptance Policy shall have been considered and satisfied prior to approval and acceptance of the gift.

4. **Testamentary Gifts**. Gifts received as a result of a bequest of a trust or probate proceeding should be evaluated prior to acceptance of the gift in the same manner as if the gift were to be made and the donor was still living.

5. **Approval; Authorized Foundation Representatives.** Only authorized Foundation representatives (Foundation's Chief Executive Office or President) may approve a real estate gift.

6. **Booking the gift.** Foundation Accounting is responsible for ensuring the property is recorded in a manner that is in compliance with Generally Accepted Accounting Principles and IRS guidelines.

   a. **Valuation and Presentation.** For recording purposes on the Foundation books, real estate gifts are booked at historical cost based on the fair market value at the date of the gift. It is the policy of the Foundation to include those gifts as land or other real assets on the books rather than comingling the gifts with part of the Foundation's endowment pool.

      i. Real estate gifts booked at historical cost will remain on the Foundation books until sold or transferred to the University. Generally, property will

only be transferred to the University if it is to be improved by the University.
   ii. Foundation Accounting staff will provide the donor with a receipt for the property once deeds are received and the gift is loaded in the system.

b. **Retention.** From time to time (at least every five years), the Foundation Board will evaluate the property on the books and consider if it is in the best interest of the Foundation to continue to hold the assets or sell the assets.
c. **Tax Exemption.** If the gift is to be maintained and held by the Foundation, the Foundation will apply for real estate tax exemption for the property if state and or county law provides for such exemption.
d. **Insurance.** The property will be insured by the Foundation immediately following receipt of the gift. This should be arranged prior to the transfer so that coverage exists at the transfer date.
e. **Sales.** If the property is sold, Foundation Accounting will record a gain or loss on the sale based on the sales proceeds less the historic cost as prescribed by Generally Accepted Accounting Principles.

7. **Gift Agreement form.** The donor and Foundation must complete and sign a Gift Agreement Form prior to transfer of the property (contact Foundation Accounting for a template).

Why Give Appreciated Property

Often, a gift of appreciated property is a good alternative to a cash gift. In many situations, charitable gifts of certain types of property can potentially provide more tax benefits to a donor than a gift of cash in the same value. This is due to existing tax benefits that "reward" donors for making a contribution of appreciated property, such as long-term capital gain securities or real estate, to a charitable organization.

In many cases, a donor can get a charitable deduction for the full, present market value of a gift regardless of the value of the property when acquired by the donor. If the donor were to first sell the property and then donate the funds, they would be subject to capital gains tax. However, this is not a viable tax saving option for all donors, so tax advice is needed to make the best decision after careful consideration a donor's situation.

On the contrary, donating property that is depreciated in value is usually not advantageous to a donor. Generally, a potential donor would be better suited to sell the depreciated property in an effort to realize a tax deductible loss on the sale. After the sale, the donor should then make a cash gift to a qualified charity. Moreover, tangible personal property, such as artwork, rare books, or coin collections, etc. are generally subject to less attractive tax advantages.

In all cases, it is generally best to get advice from a qualified tax advisor to select the alternative that is best for an individual donor.

Appendix A

Real Estate Checklist

Pre-appraisal

A. Who is/are the potential donor(s)?
    a. Name, address, phone number, e-mail

B. Where is the property located and what is the legal description of the property under consideration? What kind of property is it (i.e.- house, farm ground, lot, etc.)?

C. Does the property contain any features that would make it a potential insurance liability? If yes, explain.

D. Is it likely that the property could be sold within a 12 month period at a price close to the appraised valued?

E. Are there any restrictions on the use or sale of the property? If yes, explain.

F. Are there any liens or encumbrances on the property? If yes, explain.

G. Does the donor(s) have 100% ownership interest in the property – fee simple?

H. Does the donor agree to pay all costs associated with transferring the property to the university? If no, explain.

I. Is there any pending litigation involving the property? If yes, explain.

J. Is the property currently subject to any rental agreements? If yes, what are the donor's expectations with regard to the continuation or discontinuation of such agreements?

K. Is the donor willing to pay for a qualified appraisal? This should be asked after it is agreed that the answers to the above are acceptable and it is reasonably assumed the Foundation will accept such gift contingent on the valuation of the land.

Post-appraisal - An appraisal should be performed 1) after either the Executive Officer or the President determine that the aforementioned questions provide detail about the property that make it a viable alternative for acceptance or 2) after any extraordinary items are presented to the board and the board determines that acceptance of the property would still be beneficial to both the donor and the Foundation.

A. If the value of the property is in excess of $1,000,000 (excluding farm ground), does legal counsel believe acceptance of the gift is favorable to both the donor and the university? If no, explain.

B. Did the appraisal yield a value in excess of $35,000?

C. Did the appraisal identify any new concerns regarding unfavorable features of the property? If yes, explain.

Certified as approved by the Executive Committee of the Western Illinois University Foundation Board of Directors on July 10, 2013.

Marlin France

Marlin France, Secretary

Revision history: original version 7/10/13