

SHERMAN COLLEGE OF STRAIGHT CHIROPRACTIC

REAL ESTATE GIFT ACCEPTANCE

Sherman College welcomes offers of gifts of real estate but also recognizes that due care must be exercised before such gifts are accepted. Gifts of real estate will be considered on a case-by-case basis. Such gifts are subject to review and action by the Gift Acceptance Committee (GAC). Action by the College Board of Trustees or the Executive Committee is also necessary if a Level II or Level III environmental risk assessment has been performed on the property or if it is mortgaged, is expected to have significant carrying costs or a lengthy sales period.

Before acceptance, all offered gifts of real property must be reviewed using the following requirements:

- I. Staff Interview. The College staff will conduct an interview with the donor regarding his or her intention for use of the gift (i.e., life income vehicle, outright gift, expectations for the College's use of the property) and complete a Real Property Disclosure Checklist (see Exhibit 1). College staff will forward information to the GAC for review and approval to proceed with gift discussions. The GAC will again review the gift when it is ready for presentation to the Board.

- II. Disclosure. Prior to or at the Staff Interview, the College Vice President for Institutional Advancement will provide a written disclosure, advising the prospective donor that:
 - The donor is responsible for costs of appraisal;
 - The donor should consult his or her tax advisor regarding forms and information that must be filed with the IRS;
 - The College intends to liquidate the property as soon as practicable;
 - The College will comply with all IRS reporting requirements including the filing of Form 8282 if the gift is liquidated within two years of the gift date;
 - Environmental risk assessments may be required at the donor's expense;
 - Special considerations adhere to mortgaged and non-residential property; and that
 - The donor may be asked to pay carrying costs on the property until it is sold.

III. Valuation and Other Considerations

- A. Purpose of appraisal. The appraisal will perform these functions:
- Assist the College in structuring the gift plan (if not an outright gift);
 - Give the College office a reasonable value at which to carry the asset on the College's books; and
 - Assist with the establishment of an asking price for the property for future sale.
- B. Trusts and charitable gift annuities funded with real estate. The donor shall be advised that for the purposes of estimating future income beneficiary payments, the agreed upon appraised value will be reduced by 20%. This allowance provides for the cost of managing and disposing of real property.
- C. Additional Appraisal. The donor shall be advised that the College may elect to seek an additional, independent appraisal on any gifts of property.
- D. Title. The donor must give permission to use the Abstract of Title. The College shall order and pay for title insurance prior to the commitment of a gift.
- E. Carrying Costs. The donor may be asked to pay carrying costs while the College holds property. This will be necessary if a lengthy sales period is expected or if a significant negative cash flow is anticipated.
- F. Disposition. The property will be listed at the appraised value with broker(s) in the area in which the property is located.

If, because of high taxes, sizable mortgage, or other circumstances in which the College is unwilling to hold the property for a reasonable period and will be forced to cash out as quickly as possible, the prospective donor will be so informed.

IV. Environmental Risk Assessment. The College is cognizant of the risks attributable to environmental hazards. Thus, it shall be the policy of the College to require an appropriate environmental risk assessment before accepting a gift of real property.

A. Levels of Environmental Risk Assessment.

1. Level I (Preliminary) – The site and any improvements and parcels immediately adjacent to the proposed gift property will be observed for visual signs of contamination. These include discolored soil or surface water, dead or stressed vegetation, or the presence of drums, buried

petroleum tanks, asbestos in pre-1976 buildings, evidence of landfill use, etc.

If no evidence of a problem exists then the property may be considered by the College for acceptance

If results of this preliminary visual review indicate some possibility of environmental hazard, then a Level II review shall be undertaken if the value of the proposed property warrants investigation.

2. Level II (Site History) - An environmental engineering consultant shall be retained to determine the previous land uses of the site, to gather information related to raw materials and waste product handling by present and past owners/tenants, and to contact federal and state environmental authorities regarding any information they have as to previous contamination at or near the site.

If the results of this review yield no evidence of a problem, then the property may be considered by the College for acceptance unless the property has been or is being used as follows:

- Gasoline/Automotive service or repair
- Electroplating/Anodizing operation
- Petroleum manufacturing/Processing/Storage
- Chemical manufacturing/Processing/Storage
- Hazardous waste disposal/Destruction/Storage operation
- Aircraft and airport operations
- Electronics manufacturing
- Dry cleaning
- Light or heavy manufacturing
- Junk yard/Landfill

In these cases, a Level III investigation will be required and undertaken only if the donor and the GAC agree that the value of the proposed gift property warrants further investigation.

3. Level III (Formal Site Evaluation) - An environmental engineering consultant shall be retained to conduct a formal review of the site including soil and water sampling, test walls, and possibly surface excavation.

The College will determine whether to explore further the possibility of accepting the proposed gift property based on the results of the evaluation.

B. Costs. The donor must pay cost of retaining an environmental engineering consultant acceptable to the College for environmental risk assessments. In the case of long-time residential property, an environmental engineering consultant may not be required for a Level I assessment, as this may be assigned to a staff member, knowledgeable trustee, or an attorney. In this case, the GAC may elect to have the College bear the cost of the assessment. The donor must bear the cost of eliminating any environmental hazard from the property.

V. Mortgaged Property. Mortgaged property will not be accepted for charitable gift annuities or for charitable remainder trusts, charitable lead trusts, or pooled income funds if the College is to serve as trustee. Otherwise, properties with mortgages will not be accepted except:

- A. With an independent appraisal (approved by the College).
- B. If the mortgage amounts to 50 percent or less of the value established by the appraisal.
- C. After the donor has been advised of potential complications and tax liability and advised to seek tax counsel prior to proceeding with the gift.

VI. Commercial Real Estate. Gifts of commercial properties and businesses will be evaluated not only on the basis of property tax and mortgage liabilities, but also taking into consideration that:

- A. The College may have to pay income tax on unrelated business income.
- B. The College, as a non-profit corporation, receives no tax benefit from depreciation.
- C. The College should be willing to wait a reasonable period (one year) of time to receive an offer in this range.

**SHERMAN COLLEGE OF STRAIGHT CHIROPRACTIC
Real Property Disclosure Checklist**

Donor Name: _____
 Donor Address: _____
 Phone: _____
 Additional Information: _____

Attachments Required	Attachments That MAY Be Required
<input type="checkbox"/> Donor's Appraisal	<input type="checkbox"/> Survey
<input type="checkbox"/> Copies of deeds or contracts	<input type="checkbox"/> Income and Expense Info.
<input type="checkbox"/> Property tax information	<input type="checkbox"/> Amortization Schedule
<input type="checkbox"/> Debt Information	<input type="checkbox"/> Depreciation Schedule
<input type="checkbox"/> Title Insurance Policy	
<input type="checkbox"/> Phase I Environmental Risk Assessment	

I. Property Address: _____

Land Area (acres or sq. ft) _____

Building Area (sq. ft.) _____

Date of Construction _____

Type of Property:

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Residential | <input type="checkbox"/> Agricultural |
| <input type="checkbox"/> Commercial/Industrial | <input type="checkbox"/> Recreational |

Replacement Cost of Building _____

Current Property Insurance _____

Coverage (Name of Carrier and Limits) _____

Date of Acquisition/Form of Acquisition _____

Current Cost Basis (Includes Improvements) _____

Principal Balance of Mortgage _____

Current Fair Market Value (Estimate) _____

Term of Remaining Mortgage _____

Assessed Value for Real Estate Taxes _____

Fiscal Tax Year _____ Real Estate Taxes _____

Land Value _____ Building Value _____

Most Recent Appraisal Date _____ Appraised Value _____

Appraiser _____

Occupancy Status After Transfer of Title to Charity

- Vacant (building has no personal property, no occupants) _____
 Unoccupied (building has personal property, no occupants) _____
 Occupied (building has personal property with occupants) _____

Please indicate by checking "YES" your awareness of any condition or problem which may affect the title or marketability of property. Use Section VIII to provided additional information.

II. Title/Zoning	YES	NO
A. Title	<input type="checkbox"/>	<input type="checkbox"/>
B. Restrictions or Easements	<input type="checkbox"/>	<input type="checkbox"/>
C. Zoning Variances, Violations or Special Permits	<input type="checkbox"/>	<input type="checkbox"/>
D. Zoning violations	<input type="checkbox"/>	<input type="checkbox"/>
E. Survey	<input type="checkbox"/>	<input type="checkbox"/>
F. Any Zoning or Title Changes (under consideration or discussion)	<input type="checkbox"/>	<input type="checkbox"/>
G. Mineral or Water Rights (describe)	<input type="checkbox"/>	<input type="checkbox"/>

III. Building	YES	NO
A. College/Slab	<input type="checkbox"/>	<input type="checkbox"/>
B. Basement Water/Dampness/Sump Pump	<input type="checkbox"/>	<input type="checkbox"/>
C. Roof Leaks	<input type="checkbox"/>	<input type="checkbox"/>
D. General Structure	<input type="checkbox"/>	<input type="checkbox"/>
E. UFFI (formaldehyde insulation)	<input type="checkbox"/>	<input type="checkbox"/>
F. Asbestos	<input type="checkbox"/>	<input type="checkbox"/>
G. Lead or Lead Paint	<input type="checkbox"/>	<input type="checkbox"/>
H. Termites/Ants/Pests	<input type="checkbox"/>	<input type="checkbox"/>
I. Wood/Coal Stove	<input type="checkbox"/>	<input type="checkbox"/>
J. Swimming Pool	<input type="checkbox"/>	<input type="checkbox"/>
K. Radon	<input type="checkbox"/>	<input type="checkbox"/>
L. Building Systems	<input type="checkbox"/>	<input type="checkbox"/>
1. Plumbing	<input type="checkbox"/>	<input type="checkbox"/>
2. Electrical	<input type="checkbox"/>	<input type="checkbox"/>
3. Heating	<input type="checkbox"/>	<input type="checkbox"/>
4. Air Conditioning	<input type="checkbox"/>	<input type="checkbox"/>
5. Hot Water	<input type="checkbox"/>	<input type="checkbox"/>

- | | | | | |
|----|----------|---------|--------------------------|--------------------------|
| 6. | Supply | Water | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. | type | Sewage; | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | Fixtures | Other | <input type="checkbox"/> | <input type="checkbox"/> |

IV. Rental/Condominium/Cooperative

YES

NO

A. Rent Control

B. Tenants

1. Leases

2. Rental Arrears

3. Last Months Rent or Security

Deposit Disputes

- | | | |
|---|--------------------------|--------------------------|
| C. Common Area or Association Fees in Arrears | <input type="checkbox"/> | <input type="checkbox"/> |
| D. Building or Sanitary Code Violations | <input type="checkbox"/> | <input type="checkbox"/> |
| E. Operating/Capital Budget | <input type="checkbox"/> | <input type="checkbox"/> |

V. Environmental (Use Section VII for description of all "YES" Answers)

- | | | |
|--|--------------------------|--------------------------|
| A. History of Property
Property has prior or current use of industrial, commercial, agricultural manufacturing waste disposal or other non-residential purposes | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Condition of Property | <input type="checkbox"/> | <input type="checkbox"/> |
| 1. Stressed or denuded vegetation or unusual barren areas | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Discoloration, oil sheen or foul/unusual odors in water | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Storage drums | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Above or underground storage tanks; vents or filler pipes | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Evidence of oil or other chemicals in soil | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Evidence of PCB's | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Evidence of toxic air emissions | <input type="checkbox"/> | <input type="checkbox"/> |
| C. Adjacent Properties
Properties adjacent to subject have conditions requiring a "YES" answer to any questions in (A) and (B) above | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Plain/Wetland/Drainage | <input type="checkbox"/> | <input type="checkbox"/> |
| Endangered Plants or Wildlife | <input type="checkbox"/> | <input type="checkbox"/> |

VI. General

YES

NO

Are you aware of any other information concerning any part of the land or building which might affect the decisions of a buyer to buy or affect value of property or affect use by buyer?

VII. Property Maintenance Budget

To hold this property as an asset, the following income and expenses are anticipated:

A. Income: Annual \$

- 1. Rent _____
- 2. Other _____

Total Income _____

B. Expenses:

- 1. Real Estate Taxes
 - First Payment (Due Date _____) _____
 - Second Pmt. (Due Date _____) _____
 - 2. Utilities
 - Gas _____
 - Oil _____
 - Electric _____
 - Water/Sewer _____
 - Other _____
 - 3. Services
 - Caretaker/Property Manager _____
 - Landscaping _____
 - Heating/Cooling Service Contract _____
 - Snow Removal _____
 - Pool Services _____
 - Common Area Charge (Condominium) _____
 - Security _____
 - Other _____
 - 4. Maintenance/Repairs _____
 - 5. Insurance _____
- TOTAL EXPENSES** _____
- NET INCOME (LOSS)** _____

VIII. Additional Information on Sections II through VII:

IX. Acknowledgements

Owner(s) hereby acknowledge that the information set forth above is true and accurate to the best of my (own) knowledge.

Owner _____ Date _____
Owner _____ Date _____

Prepared By _____ Date _____
VP for Institutional Advancement _____ Date _____