Donated Assets (in-specie) Transfer Procedure

Section 1 - Purpose

(1) This document outlines the procedures to manage the transfer of in-specie non-monetary financial assets donated to the University of Newcastle (University), such as listed shares and holdings in listed invested companies (LIC).

(2) The University may accept gifts and bequests of financial assets from donors in accordance with the delegations of authority, with support from the Office of Philanthropy. Financial Services supports the Office of Philanthropy in the acceptance of in-specie transfers to enable the value of the gift or bequest to the University to be maximised.

Section 2 - Scope

(3) This procedure applies to in-specie transfers of non-monetary financial assets, including (but not limited to) securities such as shares, bonds, debentures, secured and unsecured notes.

(4) This procedure does not apply to the donation of non-financial assets including (but not limited to) artworks, rare books, and other real or tangible property donated for the use and ownership by the University.

(5) Donations are accepted in line with the Donation Acceptance, Management and Fundraising Policy and Donation Acceptance, Management and Fundraising Procedure which should be read in conjunction with these documents.

Section 3 - Definitions

(6) In the context of this document:

a. “brokerage account” means a banking arrangement that facilitates an investor to deposit funds and place investment orders (buy and sell) with a licensed brokerage firm;
b. “divestment” means the action or process of selling off interests or investments;
c. “fair value” means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
d. “GST” means goods and services tax;
e. “in-specie transfer” means the transfer of assets in the existing form, i.e. not converted to cash;
f. “listed investment company” (“LIC”) means a company whose own shares can be traded on the share market and whose business is to invest in other companies on the share market;
g. “non-financial asset” refers to an item that derives its value from its physical traits, such as physical items including land, buildings and vehicles or intangible items such as patents and IT software; and
h. “non-monetary financial asset” refers to an item that gets its value from a contractual right or ownership claim. Examples include stocks, bonds, and mutual funds, with their value reflecting factors of supply and demand within the marketplace in which they trade.

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Section 4 - Taxation

(7) Donations to the University, particularly bequeathed donations, may trigger a capital gains event for the donor or trustee if sold, depending on when the donor acquired the financial assets. Where capital gains events occur for the donor or trustee, the proceeds received by the University may be reduced.

(8) As the University is exempt from capital gains tax, an in-specie transfer to the University reduces the risk of a capital gains event being triggered, and maximises the value of the bequest to the University.

(9) An independent taxation valuation of the asset may be required by the donor should they wish to claim a tax deduction. Such valuations are the responsibility of the donor and will not be provided by the University.

(10) The University will not issue a tax receipt for any in-specie transfers and encourages donors to seek independent financial and legal advice before donating to the University. The University will provide donors with a letter of acknowledgement detailing the total value of the financial assets received by the University through the in-specie transfer.

Section 5 - GST

(11) GST will not apply to the receipt of in-specie transfers to the extent that it does not constitute a taxable supply.

(12) A taxable supply may occur where an exchange of goods, services and/or property has occurred. A donation component will arise when the value of the items differ.

(13) Financial Services will provide guidance on the treatment for GST purposes as part of the accounting valuation process.

Section 6 - Acceptance

(14) Acceptance of in-specie transfers must be undertaken in accordance with the University's delegations of authority. Refer to the Donation Acceptance, Management and Fundraising Procedure for details of the OP process for accepting donations.

(15) The availability of a market to trade the asset being donated must be a consideration when accepting an in-specie transfer, to ensure the assets can be divested by the University at a later date. An asset where the costs of divestment are estimated to equal or exceed the current value of the in-specie transfer is considered a non-tradeable asset for the purpose of this procedure and should not be accepted.

(16) When a delegate determines that an in-specie donation will be accepted, in accordance with the Donation Acceptance, Management and Fundraising Policy, its associated procedure and this procedure, they must inform Financial Services and the OP of the acceptance, and provide information as to the asset(s) and their approximate value and the supporter cost collector for the donation.

(17) The acceptance of an in-specie transfer must be notified to OP and Financial Services by the delegate who has accepted it. Financial Services will ensure the details of the transfer are recorded centrally for donor recognition (where consented to) and financial reporting purposes.

Section 7 - Transfer and Divestment

(18) To enable the transfer and divestment of non-monetary financial assets, Financial Services will maintain brokerage account services.

(19) Financial Services will provide brokerage information, where required, to enable the donor or trustee to perform the transfer.

(20) Upon receipt of the transfer, Financial Services will inform OP and initiate the process of divesting the asset(s).

(21) Financial Services are responsible for the financial management of donations to the University. Where in-specie donations are accepted, Financial Services will utilise available mechanisms to receive and divest the asset within the shortest practical timeframe. In specie donations will not be subject to speculative activity.

(22) Assets divested through the University's brokerage account will be processed in line with Financial Services banking processes.

(23) Trades will be initiated by Treasury with oversight by the Associate Director, Corporate Accounting and Treasury. Approval and confirmation of all asset sales is the responsibility of the Chief Financial Officer. Confirmation statements from the brokerage account, and emailed approvals, are to be saved with journals posted in the University finance system to account for the receipt and disposal of donations.

(24) Where assets are not immediately divested, any expenses in relation to the ongoing maintenance or support of the asset must be budgeted from operating funds of the University unless agreed and approved by an appropriate delegate prior to the acceptance of the donation.

(25) Once divested, Financial Services will account for the disposal and transfer of the proceeds into the nominated supporter cost collector. Any gain or loss realised from the original valuation of the asset will be transacted to the nominated cost collector, however, fees incurred in the transfer and divestment of non-monetary financial assets are not allocated against the donation.

(26) Proceeds will be invested in line with the Donation Acceptance, Management and Fundraising Procedure and donor intent.

(27) Financial Services will confirm the total proceeds value to OP. Subsequent reporting of the funds will occur in line with standard supporter funds reporting processes.

(28) The University invests donations with the appointed fund manager for the University and all supporter funds (donations) are invested with the University's managed funds. As such, unless the University is subject to contractually enforceable arrangements with a donor to hold the asset for a defined time, upon divestment funds received from the divestment are to be managed in line with monetary donations as outlined in the Donation Acceptance, Management and Fundraising Procedure.

Section 8 - Management

(29) In-specie transfers will be recorded in supporter cost collectors by Financial Services. In accordance with the Australian Accounting Standards, where the current value of the in-specie transfer is determined to be nil at the time of acceptance, Financial Services may record a nil entry in the finance system in order to record that the transfer was received.

(30) Any in-specie transfer received by the University is restricted from being spent until it is divested and converted to cash.

(31) Depreciation (if applicable) will be coded against the same cost collector used to record the initial donation.

Section 9 - Accounting for In-specie Donations

(32) In accordance with Australian Accounting Standards, all donations are recorded in the University's finance system.

(33) All assets are to be recorded at fair value upon receipt. This may require the asset to be valued.

(34) Where the assets are publicly traded shares and bonds, Financial Services will account for the value based on publicly available information.

(35) Where the assets are not publicly traded, but deemed to be tradeable, Financial Services will account for the value based on the best available information, including public and donor information.

(36) For Financial Services to assess the value of the donation for accounting purposes, the College or Division will be required to complete the in-kind gift acceptance form which must include the following information:

a. particulars of the assets being donated;
b. copies of all contracts or agreements in place (or proposed) including any restrictions on use;
c. evidence of the market value of the donation if available. That is, the value the item would be sold on the open market (arms-length transaction); and
d. where the assets have been received at a significant discount, the reason for the discount and if the items were / are offered to other individuals or organisations with the same discount terms.

Status and Details

Status	Current
Effective Date	29th November 2023
Review Date	29th November 2029
Approval Authority	Chief Financial Officer
Approval Date	27th November 2023
Expiry Date	Not Applicable
Responsible Executive	Michael Di Rienzo Chief Financial Officer
Enquiries Contact	Michael Di Rienzo Chief Financial Officer Financial Services

Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Asset" - Any tangible or intangible item (or group of items) that the University owns or has a legal or other right to control and exploit to obtain financial or other economic benefits.

"College" - An organisational unit established within the University by the Council.

"Delegate" - (noun) refers to a person occupying a position that has been granted or sub-delegated a delegation of authority, or a committee or body that has been granted or sub-delegated a delegation of authority.