

## Fair market value assessment methods

When performing a fair market value assessment, an institution may want to consider the following methods (although other methods may also be acceptable). In some cases, multiple sources of information can be considered to assist in the establishment of a fair market value (e.g. comparison with other bids and with previous purchases).

### Market comparison

An indication of fair market value can be developed by performing an analysis of transactions between parties, acting at arm's length, that have taken place during the same time period for similar items or services. An analysis of prices of similar assets in the market place can also be performed.

#### *In-kind contributions from suppliers*

For items involving an in-kind contribution from a supplier, bids submitted as part of a competitive bid process may provide some useful market comparisons. When two or more bids are received, an institution may be able to perform a comparison of the price stated in each bid after normal and educational discounts (i.e. the price the institution would normally be expected to pay). The institution should consider the differences in technical features, performance or other relevant factors (e.g. supplier reputation, service history) when performing the assessment. It is important to note that the fair market value assessed by the institution may or may not correspond to the price stated by a supplier after normal and educational discounts (e.g. if the stated price after normal and educational discounts has been overstated).

When a higher fair market value is established for the infrastructure selected than the price stated in some of the competing bids, the institution must ensure that this value is justified and reasonable. The institution must document its analysis, highlighting, where appropriate, the differences between the items offered by the various suppliers, and come to a conclusion on the reasonability of the established fair market value.

If bids are significantly different and no comparison can be established or if only one bid is received, the institution may need to revert to other methods, as described below.

#### *Comparison with other purchases*

In the event that the same (or a similar) infrastructure item has been purchased in the past by the institution or by another institution for which comparable pricing conditions exist and confirmation of the price paid can be obtained, the institution may be able to assess the fair market value using the cash consideration paid for that purchase. This is possible only if the previous purchase was:

- completed during the same time period;
- not related to a CFI-funded project and did not involve an in-kind contribution.

## **Appraisals**

If none of the above methods can be used to assess the fair market value, a third-party appraisal may be necessary if the item involves an in-kind contribution in excess of \$500,000. The institution is required to contact the CFI in this case.

The CFI will determine whether an appraisal is required. If so, the CFI will select the appraiser, coordinate the appraisal and pay for the appraisal if it concludes that no alternative valuation method was available to the institution. If alternative methods did exist but the institution failed to consider them, the institution will have to pay for the appraisal.

Since the fair market value of an item is established when ownership is transferred to the institution, an appraisal is usually performed as close to this date as possible. This ensures that relevant data are available.