

# CANADIAN CULTURAL PROPERTY EXPORT REVIEW BOARD GUIDE FOR MONETARY APPRAISALS

November 2020

## Preamble

This guide provides instructions for appraisers about the information required and recommended format for a monetary appraisal prepared in support of an application for certification submitted to the Canadian Cultural Property Export Review Board (CCPERB).

CCPERB's authority to certify cultural property and to determine valuation of such property for income tax purposes is set out in the provisions of the *Cultural Property Export and Import Act* (the Act). The Act requires CCPERB to make valuation determinations based only on fair market value.<sup>1</sup> Although professional standards and practices of appraisers for certain types of cultural property may permit the use of various valuation methodologies, CCPERB cannot accept appraisals that use a methodology that estimates a valuation other than fair market value.

Cultural property includes a wide array of material such as natural history specimens, military medals, archival records, decorative and fine art, and other objects of potential outstanding significance. Throughout this guide, the term "object(s)" refers to all forms of cultural property disposed of, or proposed to be disposed of, to an institution or a public authority designated under the Act. Such an institution or public authority is referred to in this guide as the applicant.

Given the breadth of material that may be eligible for certification, some features of the appraisal format and content may be adjusted based on the cultural property being appraised.

## 1. Date of Report

Specify the date of signature of the report.

## 2. Effective Date

For completed dispositions: This appraisal estimates the fair market value effective as of [date of disposition], the date that the object was (or objects were) legally transferred to the [name of applicant].

OR

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<sup>1</sup> For the definition of fair market value, see section 3.

For proposed dispositions: This appraisal estimates the fair market value of the object(s) proposed for disposition and the effective date is the date of this report.

If the appraisal is completed more than one year before the applicant applied for certification or the disposition is finalized, the appraiser will be required to update the appraisal in an addendum addressing any change in the market for the object(s) between the date of the appraisal and the disposition date (for a completed disposition) or the date of the addendum (for a proposed disposition).

### 3. Summary and Intended Use

This report provides the professional opinion of [name of appraiser] of the fair market value of the object(s) identified below. It has been prepared to accompany an application for certification to the Canadian Cultural Property Export Review Board.

[Name of appraiser] confirms that this report adopts the following definition of fair market value:

The highest price, expressed in terms of money, that a property would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.

When making determinations of fair market value of cultural property, CCPERB applies this definition of “fair market value”. This definition is also applied by the Canada Revenue Agency.

### 4. Information provided from the applicant

The applicant is required to provide the following documents and information to the appraiser, and the appraisal must include the following confirmation:

[Name of Appraiser] confirms that they have reviewed all of the following documents and information provided to the appraiser by the applicant.

- Description of the object(s)
- Digital photographs of the object(s), or a representative selection of digital photographs where appropriate
- Statement of Purchase Price<sup>2</sup>
- Condition Report
- Provenance
- Exhibition and Publication History

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<sup>2</sup> Only if purchased by the donor within 10 years of the disposition, or for a proposed disposition within 10 years of the date of applying for certification. In exceptional cases, CCPERB may require the applicant to provide the appraiser(s) a Statement of Purchase Price for an object purchased prior to those dates.

- Declaration of Authenticity
- Declaration of Disposition or Deed of Transfer (for completed disposition only)
- Archival Assessment Report and Finding Aid or Inventory (for archival cultural property only)<sup>3</sup>
- Justification of Outstanding Significance

If the appraisal is completed before the appraiser has received all of these documents, an addendum is required once all of the documents have been received by the appraiser. In the addendum the appraiser must acknowledge that the appraiser has now reviewed all of these documents, and indicate whether a change in the estimated value at the date of disposition (for a completed disposition) or date of the addendum (for a proposed disposition) is required due to information contained in all of the documents.

## 5. Inspection

This appraisal is based on a personal inspection of the object(s) that took place on (date) at (location) and accompanied by (name of applicant organization staff person and title, if applicable).

OR

This appraisal is based on digital photographs of the object(s) or a representative selection of digital photographs where appropriate, and the description(s) provided by the applicant.

## 6. Description of Each Object

In the table below, the appraiser must use the description(s) provided by the applicant. It is the responsibility of the applicant to provide the description to the appraiser. The appraiser may copy and paste the description provided by the applicant. For multiple objects, please ensure that the objects are presented in the same order as set out by the applicant. For a large number of objects, use any separate summary table provided by the applicant.

Note that the description must be appropriate to the object(s) being submitted. For example, in the table below the description is for a fine art object. A scientific specimen or archival cultural property will require a description appropriate to the medium and format of the object.

In the table below, provide a thumbnail image for each object, and if the condition or a detail of an object is relevant to the estimation of its fair market value, include a higher quality image as an appendix. If an image is not available, explain why. Add more rows as needed.

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<sup>3</sup> For more detail on what information must be provided to the appraiser in an Archival Assessment Report and Finding Aid or Inventory, please see the "[Apply for Certification](#)" section of the CCPERB website.

For archival cultural property, where records or objects are assigned a fair market value as a group, provide a representative selection of images and a description of the group of material. Applicants may also provide fonds level descriptions for a submission that comprises an integral fonds d’archives or collection. However, if a series, individual object (record) or compilation such as a photo album merits an assignment of fair market value at the item level, then the description must include an item level description that is appropriate to the market most suitable for such an object.

| <b>Image(s)</b><br>(When relevant, include multiple views or recto/verso)         | <b>Description of object</b><br>(Describe each object or grouping of objects, as follows. Modify the list, if necessary.)   | <b>Estimated Fair Market Value</b><br><b>\$ CAN</b> |
|---|---|---|
|  | <ul style="list-style-type: none"> <li>- Creator, Maker or Publisher (nationality, dates)</li> <li>- Title or Description of the object</li> <li>- Date of Creation, Making or Publication</li> <li>- Medium (materials and techniques)</li> <li>- Edition number and size of edition (if applicable)</li> <li>- Metric dimensions (height x width x depth)</li> <li>- Object identification number (if applicable)</li> <li>- Signature and Inscription</li> </ul> | \$XX,XXX.XX   |

**7. Appraiser Qualifications**

Provide a brief summary (max. 100 words) of the qualifications and expertise of the appraiser with respect to the object(s) being appraised and the market(s) for such object(s).

**8. Fair Market Value**

In summary, based on all available information, it is [name of appraiser]’s professional opinion that the fair market value of the object or the total fair market value of the objects is: **\$XX,XXX.XX CAN<sup>4</sup>** as of the effective date of this report.

For completed dispositions, the appraiser must use the exchange rates published by the Bank of Canada, on the day of disposition. For proposed dispositions, the appraiser must use the Bank of Canada temporary exchange rate corresponding to the date of the appraisal report. In its determination CCPERB will calculate the exchange rate on either the date of the decision (if the disposition has not been completed when CCPERB determines the fair market value) or the date of

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<sup>4</sup> This amount should include any premium applied to the object(s) as a group or any blockage discount for which a reasoned justification is given in the monetary appraisal.

disposition (if the disposition is completed after the application for certification is made and before the date of CCPERB's determination).

## 9. Valuation Methodology

Indicate the valuation methodology employed, or the combination of methodologies employed, and justify why that methodology or these methodologies are employed.

CCPERB accepts two valuation methodologies: the sales comparison method and the cost method. The cost method should only be used in exceptional cases. What an object cost to be produced or reproduced might not be relevant to what the object would command in an open market. Where an appraiser uses the cost method, the appraiser must provide a reasoned justification as to why the use of that methodology results in a reliable estimate of fair market value.

CCPERB does not accept appraisals that employ the income method, or rely on previous appraisals or previous determinations made by CCPERB.

The appraisal methodology, market evidence, and reasoned justification must be sufficient to enable CCPERB to make a determination of the fair market value of the object(s) as appropriate for the format of the object(s).

## 10. Market Context

For objects where there is a demonstrable market, provide the information below. In the case of archival cultural property or a diverse grouping of objects, indicate whether there is a market for specific items or components within the entirety of the cultural property and provide the following information for those items or components.

- Specify which market(s): e.g. retail, auction, studio.
- Describe the extent of the market activity for the object(s).
- Specify the market in which the object(s) would achieve the highest value.
- If there is no market now, indicate whether there was a market in the past.

As noted in the Preamble to this guide, the term "object(s)" refers to all forms of cultural property disposed of, or proposed to be disposed of, to an institution or a public authority designated under the Act. The market information cited (e.g. for objects of applied and decorative art, natural history specimens, textual records, photography, and so on) must be appropriate to the object(s).

## 11. Market Information and Comparable Sales

The appraisal must cite market information and appropriate comparable sales within, but not limited to, five years prior to the Effective Date. Where there is difficulty in identifying recent comparable sales, the appraiser may need to refer to sales that took place over a longer period of time. If you need to rely on sales older than five years, explain why.

CCPERB is aware that finding Canadian market information and comparable sales can be a challenge for certain types of cultural property. However, it is essential that the appraiser base their estimate of fair market value on available market information, supported by a fulsome justification of how that information has been applied to extrapolate the fair market value estimation. Market information should not be conflated with such non-monetary values as historical or research values. Where Canadian market information is not available, the appraiser may refer to the international market for comparable cultural property created by or associated with an individual, company or organization of a similar stature in that market.

Where comparable market data for an entire archival fonds or an entire grouping of diverse objects is not available, appraisers may identify discrete comparables for relevant records or objects within the entirety of the cultural property and, through the reasoned justification (see section 13), extrapolate a proposed fair market value based on the comparables selected. For example, relevant market information for a photograph may be used to extrapolate, through the reasoned justification, a fair market value estimation for a grouping of photographs within the entirety of the cultural property. Archival cultural property or a diverse grouping of objects may also require that specific items or components within the entirety of the cultural property be valued in tiers, making a clear distinction between specific items or components that have market value, and the items or components that have less or no market value.

For the sales comparison method:

- First, if the object has (or objects have) a creator, consider comparable sales of object(s) by the creator from the most appropriate market and from any other appropriate market identified above.
- If there is a limited market for this creator, or if the object has (or objects have) no creator, consider sales of comparable object(s), or comparable object(s) by another creator (or other creators) of similar stature.
- Consider comparable sales within, but not limited to, five years prior to the effective date.
- Cite sales in descending chronological order in the table below.
- Generally, a minimum of three comparable sales per object is required.<sup>5</sup>
- It is not necessary to provide comparable sales when the estimated value of an individual object is less than \$1,000.00 CAN provided that the appraiser demonstrates having the appropriate expertise regarding the object, type of object and the market(s) for such object.

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<sup>5</sup> If fewer than three comparables are provided, include a reasoned justification indicating why only those comparables are cited.

- Images of comparables must be provided; if images are not available, explain why.
- Provide copies of invoices of comparable sales where available.
- For the sales comparison method, do not rely on asking prices.<sup>6</sup>

Reminders:

- Sale price must be after all discounts.
- Sale price must exclude taxes and shipping.
- For auction records, specify the price achieved, including the buyer’s premium.

Complete the table below and add more rows or additional columns as needed.

| <b>Comparable 1</b>  |  |  |                   |                           |                   |
|--|--|--|-------------------|---------------------------|-------------------|
| <b>For archival cultural property or a diverse grouping of objects, indicate what portion of the material or which objects the comparable is applied to.</b> |  |  |                   |                           |                   |
| <b>Image</b>   | <b>Title / Creator (if applicable) / Creation Date</b> | <b>Medium / Edition Number and Size of Edition (if applicable)</b> | <b>Dimensions</b> | <b>Vendor / Sale Date</b> | <b>Sale Price</b> |
|   |  |  |                   |                           |                   |

**12. Purchase Price**

In some cases, an object’s purchase price may be a good indicator for the appraiser’s estimate of fair market value. If the object was (or objects were) purchased by the donor within 10 years of the date of disposition, or for a proposed disposition within 10 years of the date of applying for certification, indicate how the purchase price of the object is (or objects are) taken into account. If the purchase price is not relevant, explain why.

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<sup>6</sup> In certain markets appraisers may only have access to asking prices. In such cases, CCPERB may accept asking prices from reputable sources that may be relevant to fair market value. Appraisers are required to provide a reason as to why this guide could not be applied, how they have diverged from the guide, and how they derived the fair market value.

In exceptional cases, CCPERB may require the applicant to provide the appraiser with a Statement of Purchase Price for an object purchased prior to those dates and to take the purchase price into account in estimating fair market value.

### 13. Reasoned Justification

In a reasoned justification, explain the rationale for the estimated fair market value. The appraiser must explain why each comparable was selected and identify which comparables provided are most relevant. For archival cultural property or a diverse grouping of objects, indicate what portion of the material or which objects the comparable is applied to, as per the table in section 11.

If the appraiser is using a comparable of a creator other than the creator of the object, include in the reasoned justification why the market for the other creator is an appropriate proxy for a market for the creator of the object.

In exceptional cases where the appraiser's experience and expertise leads to their conclusion that a potential market does exist, but that market information and comparable sales evidence is unavailable, the reasoned justification must explain how and why other comparables are applied in their analysis. Using archival cultural property as an example, Canadian market evidence may exist but may be confidential or otherwise inaccessible. In these circumstances, the appraiser may judge the Canadian market as most relevant but may decide to rely on an international market for comparable cultural property; a reasoned justification must explain this decision and why the comparable is reliable for the estimate of fair market value.

In the exceptional case in which the appraiser used the cost method for estimating fair market value, the reasoned justification must explain why it is appropriate to include each category of cost in estimating fair market value.

The factors below may be addressed by the appraiser; however, they are not all required, nor is the list exhaustive. The reasoned justification should address factors that are most relevant to the cultural property being appraised.

- Demonstrate a relationship between the market evidence provided and the object(s) being appraised, by taking into account factors, including, but not limited to:
  - condition
  - rarity
  - quality
  - completeness
  - importance of the creator
  - historical significance
  - provenance
  - exhibition and publication history

- Explain any adjustments made upward or downward from market comparables to arrive at the estimated fair market value.

#### 14. Blockage Discount (for the disposition of multiple similar objects)

For a disposition or proposed disposition of multiple similar objects or of a cultural property that includes items, such as photographs or audiovisual material that are appraised individually, indicate whether a blockage<sup>7</sup> discount is appropriate. If a blockage discount is appropriate, explain how the blockage discount was applied. If a blockage discount is not appropriate, explain why, in the circumstances, it is not appropriate.

#### 15. Additional Information

Any additional information provided by the appraiser that is not required by this guide, such as additional qualifications relating to the appraisal, should be included in an appendix, not in the body of the appraisal.

#### 16. Attestation

An appraiser must disclose whether they have any past, present or prospective interest in the appraised object(s), have previously sold the object(s), or have any personal or commercial interest or bias with respect to the applicant or donor(s). Disclosure of such information will not necessarily cause CCPERB to exclude the appraisal. CCERB may require a more detailed explanation of the disclosed information before determining whether to exclude the appraisal from its determination of the fair market value of the object(s).

[Name of Appraiser] hereby certifies that, to the best of their knowledge and belief:

- this appraisal estimates only the fair market value of the object(s) subject to the appraisal and any acquired characteristic of value (e.g. provenance). It excludes any estimate of the value of intellectual property rights associated with the object(s) and any other intangible rights (e.g. licenses related to the use of the object(s));<sup>8</sup>
- they have no undisclosed past, present or prospective interest or bias with respect to the object(s) subject to the appraisal, and no undisclosed personal or commercial interest or bias with respect to the applicant or donor(s);

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<sup>7</sup> A blockage discount is used to determine the fair market value for a disposition of multiple similar objects at the same time. The application of a blockage discount is appropriate when the number of donated objects is large in comparison with the number of objects sold annually in its typical market. For reference see paragraphs 22, 23 and 24 in *Canada (Attorney General) v. Nash, 2005 FCA 386*.

<sup>8</sup> CCPERB does not have the authority to include, as part of its fair market value determinations under the *Cultural Property Export and Import Act*, the fair market value of intellectual property rights or other intangible rights.

- they have performed no undisclosed services, as an appraiser or in any other capacity with respect to the object(s) subject to the appraisal within the three year period prior to the date of this appraisal;
- their engagement and compensation for completing this appraisal is not contingent upon the development or reporting of a predetermined value or direction in value that favours the cause of the applicant or donor(s), the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
- the statements of fact contained in this appraisal report are true and correct.

### **17. Appraiser Signature**

An appraisal must be signed by the appraiser. Digital signatures are accepted.