

Non-Profit In-Kind Donations

While cash is king with many charities, it's not uncommon for non-profits to encourage and receive other types of contributions. These "gifts in kind" can come in a variety of forms.

Goods/Property

Examples of goods or property that might qualify as an in-kind donation are computer hardware and software, office furniture, medical supplies, and food. This category also includes intangible property such as securities, copyrights, and patents as well as items that can be used as fundraisers for prizes or put up for auction to raise money.

Professional Services

Examples of professional services, or expertise, that qualify as in-kind donations include:

- Legal services (most common)
- Accounting services
- Web design and social media help
- Consulting services
- Videography services

Other Services

Other services that certainly or might qualify as in-kind donations to a nonprofit include the discounted or free use of office or meeting space and free administrative services like copying or printing. Other examples are discounted or free catering and a special deal on utilities.

What Services and Donations Don't Qualify?

Some goods and services used by a nonprofit, while donated, may not qualify as in-kind donations. Specifically, anything that is earmarked for use by another entity won't be counted by your nonprofit.

Another instance that doesn't qualify is if our organization receives products or services that it normally wouldn't purchase. For example, local musician donates their services to an event they wouldn't typically engage a musician to perform.

Gifts with strings attached are not considered in-kind contributions. If a donor wants to "give something to your nonprofit and then dictate how it will be used, it's not a true donation.

Finally, the value of volunteer hours is not considered a qualifying in-kind gift unless the volunteer is providing a "specialized skill". For example, volunteers checking-in guests to an event, or even someone that specialized in a specific skill, but the volunteer effort is unrelated to the skill.

How to Track and Record In-Kind Donations

Our organization prepares financial statements in accordance with Generally Accepted Accounting (GAAP), then all in-kind gifts should be captured and reported in our financial records.

YDF is subject to an annual audit by an independent accountant (CliftonlarsenAllen is our firm), they must also meet this standard, and may be required to do this by state law, or the terms and conditions set by JWB, grantor, or some other key constituent.

Even if our organization is not subject to GAAP and only file Form 990, keeping detailed financial records can be useful as an internal management, audit, and strategic planning tool.

When Gifts In-Kind Are Recognized

Nonprofit in-kind donations should be recorded as soon as a donor provides it to the organization and recorded in the period they are received or more frequently based on volume. At a minimum, they should be recorded annually.

How In-Kind Donations Are Valued

Donations in-kind are recorded on the books at fair value. FASB (financial accounting standards board) defines fair value as “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”

How the in-kind value is determined will depend on the type of donation:

- For products, like computers, figure out what we would have paid for the goods on the open market had it not been donated.
- Track the hours of “professional” services donated to our organization.
- Contact the donor and ask them to place a value on the in-Kind services (this is a better preference for our organization, since the value must be on our In-Kind Receipt).

The accepted way to record in-kind donations is to set up a separate revenue account but the expense side of the transaction should be recorded in its functional expense account. For example, revenue would be recorded as Gifts In-Kind Services, and the expense would be recorded as Professional Services. Once the value is determined for the donation, we'll record the journal entry. The revenue will equal the expense. While it won't have any net impact on our books, it will impact our organizations' total revenue and expenses, and it is a requirement of both FASB and the IRS.

It a good idea to have some form of tracking receipts and ensure that we are issuing acknowledgments timely and appropriately. I suggest giving to finance committee for safe keep in our records and sending a timely thank you.

Any concern or question pertaining to in-kind donations or receipts should be directed to the finance committee.