



What You Need to Know About In-Kind Contributions

Presented by James Voight



Agenda

1. What is an in-kind
2. GAAP vs. Tax reporting
3. In-kind documentation
4. Gift acceptance policy
5. New GAAP in-kind standards and requirements

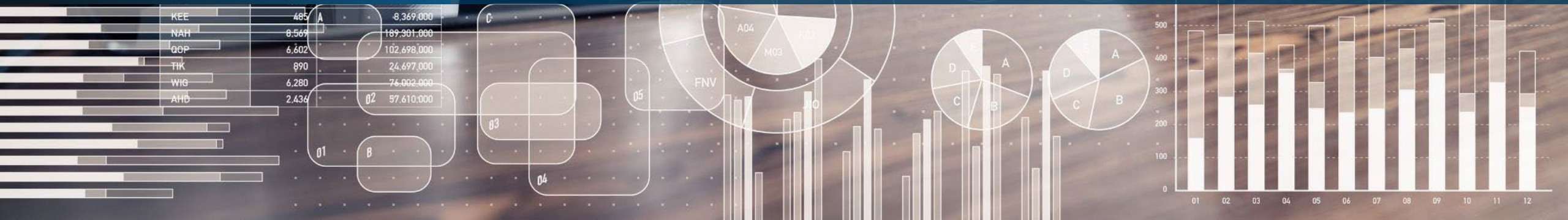


New Accounting Standards Update No. 2020-07

Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.

Effective for fiscal years **Beginning** after June 15, 2021.

AIU	HJI	WWE	PLD	EER	ORT
1,822	20,369	890	6,350	10,985	665
(-95)	(+580)	(-20)	(-200)	(+580)	(-15)
MBC	LJH	MJB	PON	NFR	UGH
3,605	9,542	2,609	7,654	6,522	1,632
(+210)	(-128)	(+35)	(+149)	(-122)	(-54)
3,210	9,414	2,644	7,150	6,400	1,901
(-180)	(-111)	(-35)	(-150)	(-74)	(+101)
MBB	WFF	HJM	OL	LSP	SDH
3,320	712	134	2,022	631	6,287
(-180)	(-12)	(-5)	(-18)	(-40)	(-15)





In-Kind Contributions in GAAP Accounting

Also known as a gift in-kind (GIK), a contributed nonfinancial asset, or a noncash contribution.

According to the FASB, contributed goods or services should be recognized if the services received:

1. Create or enhance nonfinancial assets, or
2. Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.





In-Kind Contributions in Tax Reporting - IRS

Noncash contributions are anything other than cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization.

Noncash contributions don't include donations of services or donated use of materials, equipment, or facilities.



Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains (losses) on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII.)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)		5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII.)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)		5	

Differences Between Reporting for GAAP and Reporting for Taxes

In GAAP reporting, gifts in-kind must be disaggregated by category that depicts the type of contributed nonfinancial asset in the statement of activities.

In the footnotes to the financial statements, disclosure should be made about how the assets are used and how they are valued (fair market value).

Restrictions on the contribution of nonfinancial assets.

Other nonmonetary information.



Differences Between Reporting for GAAP and Reporting for Taxes

In tax reporting, donated services and right to use assets and facilities are not recognized.

If the Organization receives property with a value of greater than \$500, then the Organization is required to fill out a separate information return 8282 and provide to the donor for filing with their personal tax return.

If the Organization received property with a value of \$5,000 per item or more, the Organization must fill out a Form 8283.



**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2021

**Open to Public
Inspection**

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Department of the Treasury
Internal Revenue Service

Name of the organization	Employer identification number
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Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art	<input type="checkbox"/>			
2 Art—Historical treasures	<input type="checkbox"/>			
3 Art—Fractional interests	<input type="checkbox"/>			
4 Books and publications	<input type="checkbox"/>			
5 Clothing and household goods	<input type="checkbox"/>			
6 Cars and other vehicles	<input type="checkbox"/>			
7 Boats and planes	<input type="checkbox"/>			
8 Intellectual property	<input type="checkbox"/>			
9 Securities—Publicly traded	<input type="checkbox"/>			
10 Securities—Closely held stock	<input type="checkbox"/>			
11 Securities—Partnership, LLC, or trust interests	<input type="checkbox"/>			
12 Securities—Miscellaneous	<input type="checkbox"/>			
13 Qualified conservation contribution—Historic structures	<input type="checkbox"/>			
14 Qualified conservation contribution—Other	<input type="checkbox"/>			
15 Real estate—Residential	<input type="checkbox"/>			
16 Real estate—Commercial	<input type="checkbox"/>			
17 Real estate—Other	<input type="checkbox"/>			
18 Collectibles	<input type="checkbox"/>			
19 Food inventory	<input type="checkbox"/>			
20 Drugs and medical supplies	<input type="checkbox"/>			
21 Taxidermy	<input type="checkbox"/>			
22 Historical artifacts	<input type="checkbox"/>			
23 Scientific specimens	<input type="checkbox"/>			
24 Archeological artifacts	<input type="checkbox"/>			
25 Other ▶ (.)	<input type="checkbox"/>			
26 Other ▶ (.)	<input type="checkbox"/>			
27 Other ▶ (.)	<input type="checkbox"/>			
28 Other ▶ (.)	<input type="checkbox"/>			

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part V, Donee Acknowledgement	29	
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Yes No

Name of organization

Employer identification number

Part I **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
.....	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Recap of Differences

GAAP reporting is the most comprehensive and reporting intensive.

Type, category, date, use, measurement.

Tax reporting is a step down from GAAP reporting as far as the details go, but they want further information on large donations.





Documentation and Retention

Donor software.

Spreadsheet for tracking
necessary information.

Gift agreement.

Carbon copies of receipts.

Copies of gift
acknowledgements.

Information for Gift Acknowledgement

- Date of the gift
- Name of donor
- Description and type of property donated
- Potential value of funds saved
- Statement on tax deductibility of gift
- Value, if any, exchanged for the gift
- Restrictions on the gift



Example of Written Acknowledgement

“Thank you for your contribution of a used oak baby crib and matching dresser that (organization’s name) received on March 15, 2015. No goods or services were provided in exchange for your contribution and your gift is entirely tax deductible. Your contribution saved (organization’s name) \$1,600 in funds that can be used for program activities had it not received this gift and had to purchase this property in the marketplace.”





Documentation and Retention

- Type and category of donation.
- Restrictions on the donated property and whether or not that restriction has been satisfied.
- How and where the value was determined/verified.
- How was the property used.

Gift Acceptance Policy

It is not a requirement for an NPO to accept every gift.

Does not align with your mission.

Too many restrictions involved.

Would cost more time and resources to maintain and upkeep than the benefit received.

Could impact an important ratio or jeopardize tax exemption status.



A. Tangible Personal Property

1. Jewelry, artwork, collections, and other personal property shall not be accepted unless the Gift Acceptance Committee shall have reason to believe the property has a value in excess of \$1,000. Such property can only be accepted by the Gift Acceptance Committee or such other person or persons authorized to do so by the Gift Acceptance Committee.

B. Publicly Traded Securities

1. Securities, which are traded on the New York, American Stock Exchanges, shall be accepted by the organization. It may be anticipated that such securities will be immediately sold by the organization. In no event shall an employee or volunteer working on behalf of the organization commit to a donor that a particular security will be held by the organization unless authorized to do so by an officer of the organization.

C. Real Property

1. No gift of real estate shall be accepted without prior approval of the Gift Acceptance Committee of The organization.

IV. RESTRICTIONS

D. Endowment Restrictions

1. A permanent endowment may be established with a minimum gift of \$50,000.

New Accounting Guidance

- Effective for fiscal years beginning after June 15, 2021 and applied retrospectively to all periods presented.
- Separate line item in the statement of activities.
- Disaggregation of gifts in-kind in the statement of activities by category and by type of contributed nonfinancial asset.
- Footnote disclosure about how the assets are used.
- Footnote disclosure about how the assets are valued.

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES AND GAINS

Contributions of cash and other financial assets	\$	6,790
Contributions of nonfinancial assets		1,850
Fees		5,200
Investment return, net		6,650
Gain on sale of equipment		200
Other		150
		<hr/>
Total revenues and gains without donor restrictions		20,840
		<hr/>

NOTE X—CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities include:

	<u>20X9</u>	<u>20X8</u>
Building	\$ 550,000	\$ -
Household goods	95,556	100,486
Food	85,407	86,633
Medical supplies	90,389	115,173
Pharmaceuticals	111,876	113,982
Clothing	85,765	83,890
Vehicles	127,900	-
Services	73,890	65,392
	<hr/>	<hr/>
	<u>\$ 1,220,783</u>	<u>\$ 565,556</u>

New Accounting Guidance – How Nonfinancial Assets Are Used

- Footnote disclosures showing qualitative information.
- Were they used, sold, held for sale, held for future periods, disposed of, etc.
- Description of the policy on utilizing and disposing of nonfinancial assets.
- Any donor imposed restrictions on the in-kind gift.

NOTE X—GIFTS-IN-KIND

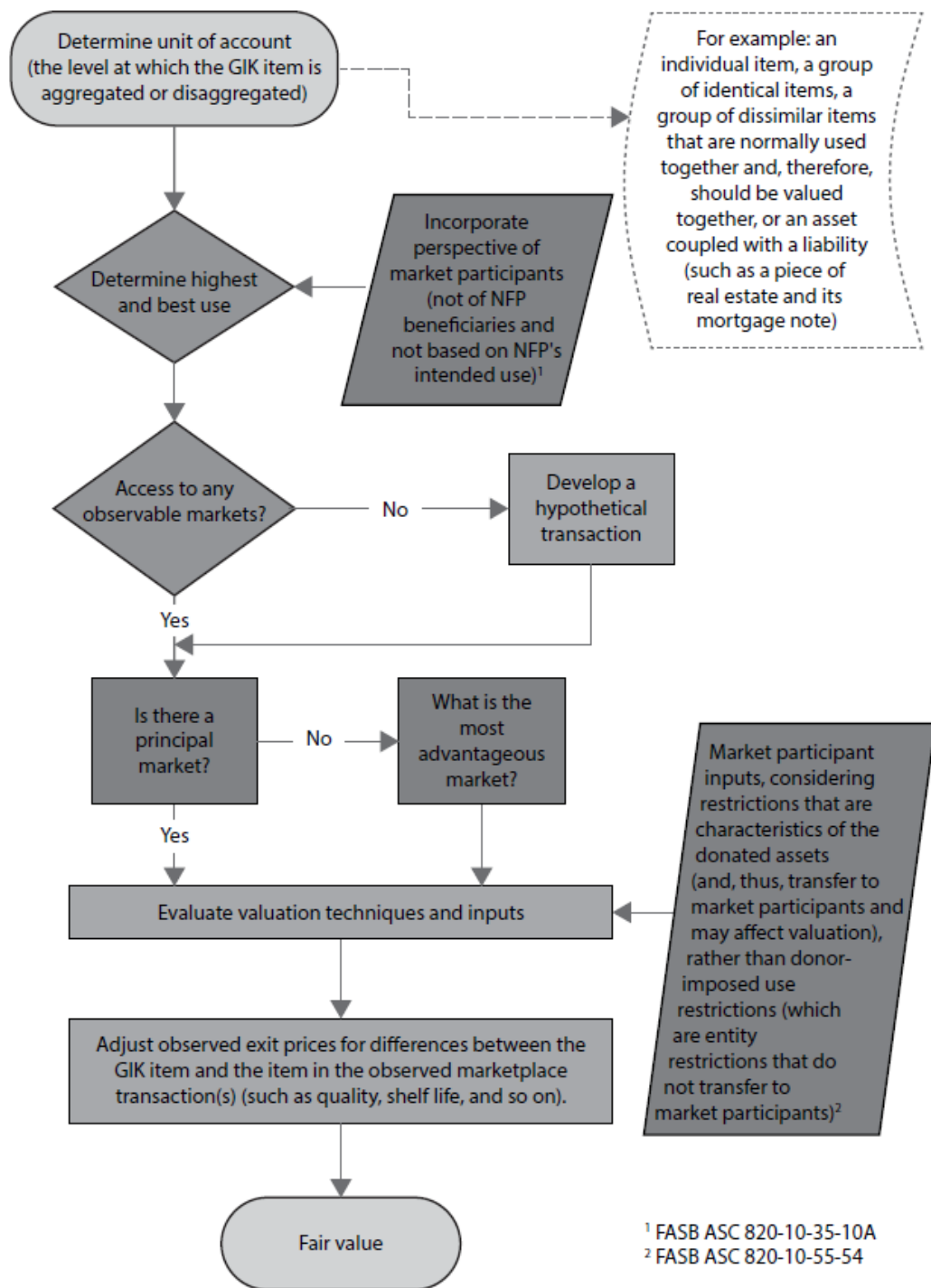
Gifts-in-kind recognized within the statement of activities include:

Vehicles	\$ 127,900
Veterinary services	73,890
Veterinary medicine	<u>11,876</u>
	<u>\$ 213,666</u>

It is NFP's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

New Accounting Guidance – How Nonfinancial Assets Are Valued

- Footnote disclosures showing qualitative information.
- “The price that would be received to sell an assets in an orderly transaction between market participants at the measurement date.
- Principal, or most advantageous, market. Highest and best use.
- Evaluating what you could get for the nonfinancial asset if you sold it in a non-prohibited market.
- This is covered further in FASB ASC Topic 820, *Fair Value Measurements*.



¹ FASB ASC 820-10-35-10A

² FASB ASC 820-10-55-54

Contributed veterinary services recognized comprise professional services from veterinarians providing care and treatment to animals under the care of the shelter. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services. In addition to the 530 hours of veterinary services, which required special expertise, NFP received approximately 13,200 hours of contributed services that were not recognized. Those volunteers helped in animal rescue, animal care and feeding, and fundraising.

Contributed veterinary medicine was restricted by donors to use outside the United States and were utilized in emergency volcanic eruption animal rescue operations in the Caribbean. In valuing contributed veterinary medicine otherwise legally permissible for sale in the United States, NFP used the *Veterinary Fee Reference* published by the American Animal Hospital Association that approximates wholesale animal drug prices in the United States (that is, the principal market). In valuing veterinary medicine not legally permissible for sale in the United States (and primarily consumed in developing markets), NFP used third-party sources representing wholesale exit prices in the developing markets in which the products and approved for sale.

Contributed Nonfinancial Assets

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Building	\$550,000	General and Administrative	No associated donor restrictions	In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.
Household goods	\$95,556	Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$85,407	Natural Disaster Services; Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Medical supplies	\$90,389	Natural Disaster Services	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contact Us



608.442.1995



James.Voight@wegnercpas.com



2921 Landmark Pl, Ste 300, Madison, WI 53713



www.wegnercpas.com

THANK YOU



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