

Guidelines for Recognition of In-Kind Contribution

Description

An in-kind contribution is a noncash contribution of a good or service. In kind contributions are provided instead of cash for one of the organisation's project budget line items. Goods or services donated in-kind must be considered necessary to accomplish the project goals and activities.

Physical items contributed as in-kind are valued at the actual cost of the fair market value of the item. A common guideline is to consider how much the organization would reasonably expect to pay if it were to purchase the item. Actual cost should always be used when available.

An individual's time should be valued at what the organization would pay someone to perform the work if were not performed by a volunteer. In calculating an individual's contribution, the value of their time is calculated as a percentage of their hourly rate.

Sample of Contributed Services & Documentation

Contributed Service	Recorded Value	Documentation
Professional or specialized service (for example, an attorney or a painter)	Normal rates consistent with fair market value	Invoice denoting rate, hours, and total cost
Volunteer services that contribute to general organizational functions (not directly related to program)	Minimum wage or volunteer rate, if known	Timesheet with hours and rate

Treatment of In-Kind Contributions

All in kind contributions should have supporting documentation including why the transaction is allowable for the grant purposes. The basis for determining the value of personal services, material equipment, building and land must be documented.

In kind contributions should be entered into the organisation's General Ledger as a revenue and expenditure and be treated in a manner similar to any grant expenses.

Recognition of In-Kind Contributions

In order to recognize and provide supporting evidence for in kind contributions, a partner should provide either a letter or contract from donor with specifics on the donated item which includes a fair value estimation of the donated goods or services. Where this is not available an organization may make use of an in-kind acknowledgement form which should include details of

- I. Name and signature of donor
- II. Date and location of donation
- III. Description of item or service donated.

- IV. Estimated value of contribution, how the value was determined, who made the determination.

Where an organization is recognizing an individual's time or contribution to the project, the same can be documented through signed timesheets which clearly provide details of the individual, the period for which the service was contributed, the number of hours contributed in a day/ week/ month, as a function of the hourly/weekly/monthly rate therefore providing the total cost of the contribution.

Valuation of in-kind contributions

An organization needs to be aware of the fair market value of the donated goods or services, by comparing the cost of obtaining comparable good or service if the item was not donated. Alternatively, where the value of the donation is established by the donor, an organization must review the donor's letter or confirmation to ensure the value is reasonable.

What does not constitute an in-kind contribution?

1. Passive attendance on training courses, meetings, seminars
2. Provision of preexisting (not generated within the duration of the project) data/ expertise/ tools which are publicly available free of charge.