

## **In-Kind Donations: New Requirements and Existing Standards**

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Tami McInerney, CPA  
Kemp Moyer, CVA, CMQ/OE

May 26, 2021

# Presenters



## **Daniel Figueredo, CPA, CGMA, Partner, Assurance, BPM**

Daniel began his career at BPM, and for nearly 20 years he has helped the Firm and his clients grow and succeed. Daniel's nonprofit experience includes working extensively with fair value and alternative investments, the Uniform Guidance and Single Audits, planned giving, and significant capital campaigns. He is deeply involved in serving nonprofit organizations and works with private foundations, social enterprises, trade associations, arts and culture, advocacy and political organizations, private schools, community foundations and higher education.



## **Kemp Moyer, CPA, CVA, CMQ/OE, Director, Advisory, BPM**

Kemp is a Valuation Director in Advisory Services at BPM. He has 16 years of experience in complex financial advisory matters, with a primary focus on valuation services. Kemp has played a lead role on over 100 business and asset valuations in his career. Kemp's experience includes providing services to support forensic matters and dispute resolution for board-level and executive decision making. Deliverables include 409A analyses, gift and estate valuations, partnership/shareholder buyout analyses, purchase price allocations, transaction analyses, impairment testing and other value opinions.

# Presenters



## **Tamara McInerney, CPA, Partner, Tax, BPM**

Tami has 28 years of experience providing accounting and tax services to nonprofit organizations. She is experienced in creating strategies to minimize tax liabilities, stock option planning, preparing income tax projections, identifying and researching complex tax issues. She also has extensive experience working with charitable remainder trusts, private foundations and nonprofits.



## **Shannon Winter, CPA, Partner, Assurance, BPM**

Shannon is a Partner in BPM's Assurance practice. Her experience in public accounting includes providing audit, review, compilation and consulting services to nonprofit organizations and small to medium-size private businesses. She specializes in advising nonprofit organizations on Uniform Guidance (formally referred to as OMB Circular A-133) and Generally Accepted Government Auditing Standards (GAGAS).

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## Agenda



01



In-Kind Accounting

02



In-Kind Valuation

03



In-Kind Tax

04



Cryptocurrency Gifts



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# In-Kind Accounting



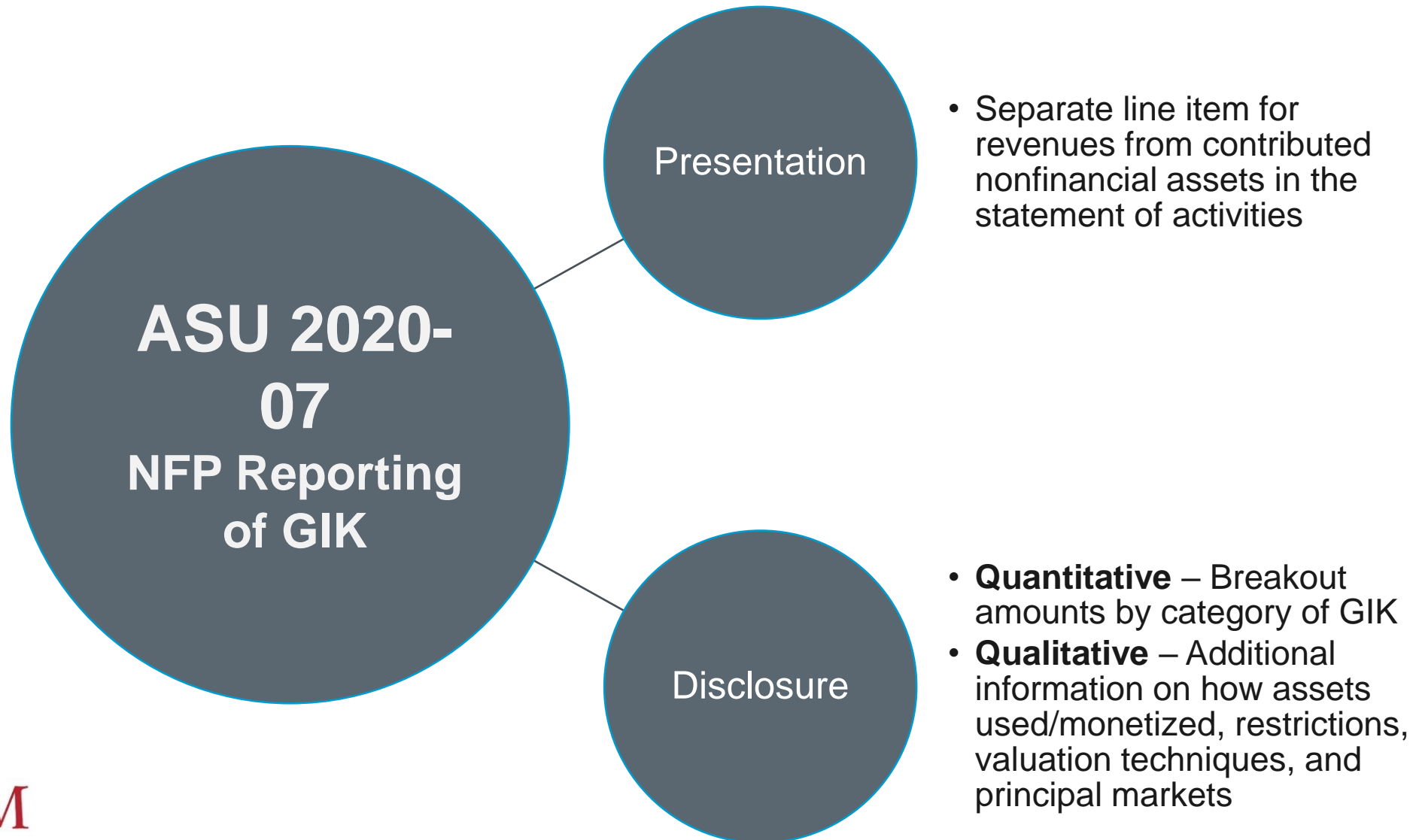
# Why Do We Record Gifts-in-Kind (GIK)?

- To reflect a nonprofit's (NFP) real performance
- So we don't mislead the public
- To better understand financial health
- To understand the true costs of operations



# **New Requirements and Presenting Your Story**

# New Requirements



# Effective Date

Years beginning  
after June 15, 2021

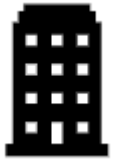
E.g.

June 30,  
2022

E.g.

December  
31, 2022

# Nonfinancial Assets



**Fixed  
Assets**



**Use of  
Fixed  
Assets or  
Utilities**



**Materials  
and  
Supplies**



**Intangibles**



**Services**



**Unconditional  
Promises of  
Assets**

# Qualitative Disclosures

- For each category of GIK:
  - Information about whether the assets were monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
  - The NFP's policy (if any) for monetizing rather than utilizing contributed nonfinancial assets.
  - A description of any associated donor restrictions.
  - A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with ASC 820-10-50-2(bbb)(1), at initial recognition.
  - The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient NFP is prohibited by donor restrictions from selling or using the contributed nonfinancial asset.

# Example Statement of Activities 1

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	2,000,000	800,000	2,800,000
Contributed goods and services	700,000	500,000	1,200,000
Government grants	900,000	-	900,000
Program income	1,000,000	-	1,000,000
Other income	50,000	-	50,000
Net assets released from restrictions	1,200,000	(1,200,000)	-
Total support and revenue	5,850,000	100,000	5,950,000
Expenses:			
Program services	4,000,000	-	4,000,000
Supporting services:			
General and administrative	750,000	-	750,000
Fundraising	200,000	-	200,000
Total expenses	4,950,000	-	4,950,000
Change in net assets	900,000	100,000	1,000,000



# Example Statement of Activities 2

## Change in net assets without donor restrictions:

### Support and revenue:

Contributions and grants	2,000,000
Contributed goods and services	700,000
Government grants	900,000
Program income	1,000,000
Other income	50,000
Net assets released from restrictions	1,200,000
Total support and revenue	5,850,000

### Expenses:

Program services	4,000,000
Supporting services:	
General and administrative	750,000
Fundraising	200,000
Total expenses	4,950,000
Change in net assets without donor restrictions	900,000

## Change in net assets with donor restrictions:

Contributions and grants	800,000
Contributed goods and services	500,000
Net assets released from restrictions	(1,200,000)
Change in net assets with donor restrictions	100,000
Change in total net assets	1,000,000

# Example Statement of Activities 3

	Without Donor Restrictions			With Donor Restrictions	
	Conservation	Contributed Real Estate	Total	Restrictions	Total
Support and revenue:					
Contributions and grants	2,000,000	700,000	2,700,000	1,300,000	4,000,000
Government grants	900,000	-	900,000	-	900,000
Program income	1,000,000	-	1,000,000	-	1,000,000
Other income	50,000	-	50,000	-	50,000
Net assets released from restrictions	800,000	400,000	1,200,000	(1,200,000)	-
Total support and revenue	4,750,000	1,100,000	5,850,000	100,000	5,950,000
Expenses:					
Program services	3,000,000	1,000,000	4,000,000	-	4,000,000
Supporting services:					
General and administrative	750,000	-	750,000	-	750,000
Fundraising	200,000	-	200,000	-	200,000
Total expenses	3,950,000	1,000,000	4,950,000	-	4,950,000
Change in net assets	800,000	100,000	900,000	100,000	1,000,000
Net assets, beginning of year	1,500,000	3,500,000	5,000,000	1,800,000	6,800,000
Net assets, end of year	\$ 2,300,000	\$ 3,600,000	\$ 5,900,000	\$ 1,900,000	\$ 7,800,000

# Expenses

- The FASB considered whether any separate presentation within expenses should be required
- Concluded extra presentation could be too costly and there might only be incremental value of the additional information

# Example Statement of Functional Expenses (Optional)

	Program Services	Supporting Services		Total Supporting Services	Total
		General and Administrative	Fundraising		
Expenses:					
Personnel	2,400,000	300,000	90,000	390,000	2,790,000
Program materials and supplies	600,000	-	-	-	600,000
Contract services	400,000	20,000	-	20,000	420,000
Travel and entertainment	80,000	5,000	8,000	13,000	93,000
Office expenses	10,000	8,000	2,000	10,000	20,000
Advertising and promotion	20,000	-	5,000	5,000	25,000
Miscellaneous	15,000	12,000	-	12,000	27,000
Special events	-	-	20,000	20,000	20,000
Total expenses, excluding contributed goods and services	3,525,000	345,000	125,000	470,000	3,995,000
Contributed goods and services:					
Personnel	200,000	300,000	-	300,000	500,000
Contributed auction items	-	-	40,000	40,000	40,000
Occupancy	250,000	100,000	20,000	120,000	370,000
Advertising and promotion	10,000	-	15,000	15,000	25,000
Travel and entertainment	15,000	5,000	-	5,000	20,000
Total contributed goods and services	475,000	405,000	75,000	480,000	955,000
Total expenses	\$ 4,000,000	\$ 750,000	\$ 200,000	\$ 950,000	\$ 4,950,000

# Example Quantitative Disclosure

## Contributed Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2021</u>	<u>2020</u>
Building (a)	\$ 500,000	\$ 200,000
Household goods (b)	200,000	150,000
Food (c)	100,000	220,000
Clothing (d)	250,000	225,000
Vehicles (e)	70,000	50,000
Services (f)	80,000	150,000
	<u>\$ 1,200,000</u>	<u>\$ 995,000</u>

# Example Qualitative Disclosure

The Organization recognized contributed nonfinancial assets within revenue, including a contributed building, vehicles, household goods, food, medical supplies, pharmaceuticals, clothing, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

**(a)** The contributed building will be used for general and administrative activities. In valuing the contributed building, which is located in Metropolitan Area B, the Organization estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.

**(b)** Contributed food was utilized in the following programs: natural disaster services, domestic community development, and services to community shelters.

**(c)** Contributed household goods were used in domestic community development and services to community shelters. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.



# Example Qualitative Disclosure, cont'd

- (d) Contributed clothing was used in specific disaster relief programs. The Organization is not permitted to distributed clothing in the United States, therefore the Organization used third-party sources representing wholesale exit prices in the developing markets in which the clothing is approved for sale (that is, the principal markets).
- (e) It is the Organization'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.
- (f) Contributed services recognized comprise professional services from attorneys advising the Organization on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

# Example Combined Disclosure

## Contributed Nonfinancial Assets

	Revenue Recognized	Program/ Activity Utilization	Donor Restrictions	Valuation Techniques and Inputs
Building	\$ 500,000	General and Administrative	None	Recent comparable sales prices in Metropolitan Area B's real estate market.
Household goods	200,000	Community Shelters; Domestic Community Development	None	Estimated wholesale values that would be received for selling similar products in the U.S.
Food	100,000	Natural Disaster Services; Community Shelters; Domestic Community Development	None	Estimated wholesale values that would be received for selling similar products in the U.S.
Clothing	250,000	Natural Disaster Services	Restricted to use outside the United States	Third-party sources representing wholesale exit prices in the developing markets in which the clothing is approved for sale (that is, the principal markets).
Vehicles	70,000	Policy is to sell all contributed vehicles immediately upon receipt unless the donor restricts use to programs. All vehicles received were sold.	None	Proceeds from vehicles sold are valued according to the actual cash proceeds on their disposition.
Services	80,000	Administrative Legal Matters	None	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

# Refresher on In-Kind Accounting and Examples

# In-Kind Contributions

## OVERVIEW

- Recognize a contribution when received if it can be used or sold. If not, do not recognize a contribution.
- Measure at fair value
- Do not record a contribution if for another specified party or no “variance power”



# Donated Items

## OVERVIEW

Accounting for Donated Items:

- Typically used by organization or sold off
- Recognize contribution income with an offsetting expense, or an asset if not yet used or sold

## JOURNAL ENTRY

	DR	CR
Expense or Asset	\$XXXX	
Contribution Income – Unrestricted or Restricted		\$XXXX



# Items To Be Sold at Fund-Raising Events

## OVERVIEW

- Initially record a contribution at fair value when the item is received
- Recognize an adjustment to the original contribution upon sale

## EXAMPLE

- A public radio station receives an unrestricted vehicle donation with an estimated fair value of \$5,000 on the date of donation. The vehicle ultimately sells for \$4,000

Journal Entry – Upon Gift	DR	CR
Inventory – Vehicles	\$5,000	
Contribution Income – Unrestricted		\$5,000

Journal Entry – Upon Sale	DR	CR
Cash	\$4,000	
Contribution Income – Unrestricted	\$1,000	
Inventory – Vehicles		\$5,000



# Contributed Use of Long-Lived Assets

## OVERVIEW

- Recognize a contribution at fair value in the period received or promised
- For long-term use, record a restricted contribution receivable and discount
- Contribution should never exceed the fair value of the asset
- Whether or not the NFP can otherwise afford the asset if paid full rate doesn't matter

## EXAMPLE 1

- Discounted office rent month-to-month for \$10,000/yr with a fair value of \$15,000/yr

Journal Entry	DR	CR
Rent Expense	\$15,000	
Contribution Income – Unrestricted		\$5,000
Cash		\$10,000

# Contributed Services

## OVERVIEW

- Only recognize a contribution if the services **either**:
  1. Create or enhance a nonfinancial asset

Or

  2. Requires a specialized skill, would typically need to be purchased, and are provided by individuals with those skills



# Example 1

A mental health center receives volunteer services from licensed counselors. The counselors also train community volunteers to assist with counseling.

**Do you record a contribution for the licensed counselors?**

**Yes**



Create or enhance a nonfinancial asset



Requires a specialized skill



Would typically need to be purchased



Provided by individuals with those skills

# Example 1

A mental health center receives volunteer services from licensed counselors. The counselors also train community volunteers to assist with counseling.

**Do you record a contribution for the community volunteers?**

**No**



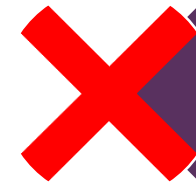
Create or enhance a nonfinancial asset



Requires a specialized skill



Would typically need to be purchased



Provided by individuals with those skills

## Example 2

A medical doctor is a volunteer for a preschool and manages the school's investment portfolio due to her experience with day trading

**Do you record a contribution for the investment management?**

**No**



Create or enhance a nonfinancial asset



Requires a specialized skill



Would typically need to be purchased



Provided by individuals with those skills

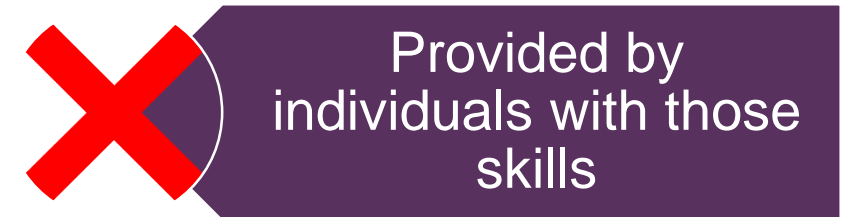
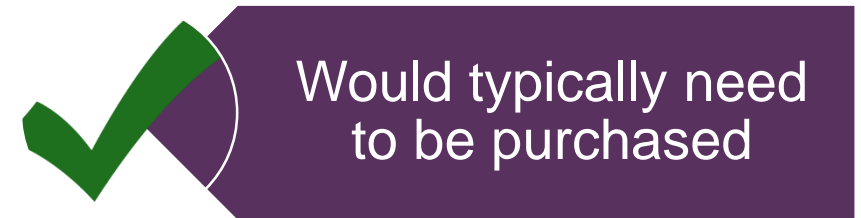
# Example 3

A local shelter is building new community housing and gets the following volunteers:

- Architect
- Community volunteers for roofing

**Do you record a contribution for the community volunteers?**

**Yes**





# Services Received from Affiliates

## OVERVIEW

- Do not follow the criteria for contributed services
- You should record a contribution for services from affiliates
- Measure the contribution by either:
  - Cost to the affiliate
  - Fair value if the cost will significantly overstate or understate the value of services received



# Common Issues - Accounting

# Goods vs. Services

## OVERVIEW

- Contributed advertising, media time, public service announcements (PSA), and similar are considered to be contributed assets
- Record a contribution if:
  - An asset is received (something with a future economic benefit)
  - The NFP can control the access to the benefit

## EXAMPLE 1

- Local radio station gives NFP free air time
  - **Record a contribution**

## EXAMPLE 2

- A celebrity does a PSA for the NFP without their knowledge or involvement
  - **Do not record a contribution**

# Board Member Pro Bono Services

## OVERVIEW

- Board members often possess specialized skills that they contribute to NFPs (i.e. lawyers, accountants, architects, consultants, etc.)
- There is an expectation that board members have a fiduciary responsibility and will utilize their skills in serving the NFP, so it is generally not a contributed service

## EXAMPLE 1

- Board member is a lawyer providing general pro-bono services to advise on board governance, reviewing contracts, and other general business matters
  - **Do not record a contribution**

## EXAMPLE 2

- Board member is representing the NFP pro-bono in a lawsuit, which is outside their expected responsibilities
  - **Record a contribution**

# Contributed Marketable Securities

## OVERVIEW

- Recognize the contribution at the earlier of:
  - Date the donated securities are received
  - Date a documented pledge of securities has been received
- Make sure to separate subsequent gains/losses after the date of receipt and related transaction costs

## EXAMPLE

- **12-01-21** – Donor pledge \$10K of stock

Journal Entry – 12-01-21	DR	CR
Contribution Receivable	\$10,000	
Contribution Income		\$10,000

- **12-31-21** – Shares received worth \$9,500

Journal Entry – 12-31-21	DR	CR
Contribution Income	\$500	
Investments	\$9,500	
Contribution Receivable		\$10,000

- **01-05-22** – Shares sold for \$9,700, after \$50 fee

Journal Entry – Initial Recognition	DR	CR
Cash	\$9,700	
Broker fees	\$50	
Investments		\$9,500
Realized gains		\$250

# Bargain Purchases

## OVERVIEW

- NFP's often purchase items at a significant discount, which could result in a partial exchange transaction and partial contribution
- Judgment is often required to determine if a contribution should be recognized
- NFP's should first determine the fair value of the transaction and any excess amount beyond the exchange price is an inherent contribution

## EXAMPLE

- A school hires an architect for a new science lab for a contract price of \$500,000.
- A fair value analysis concludes the services would normally cost \$800,000.
- **Record a contribution for \$300,000**

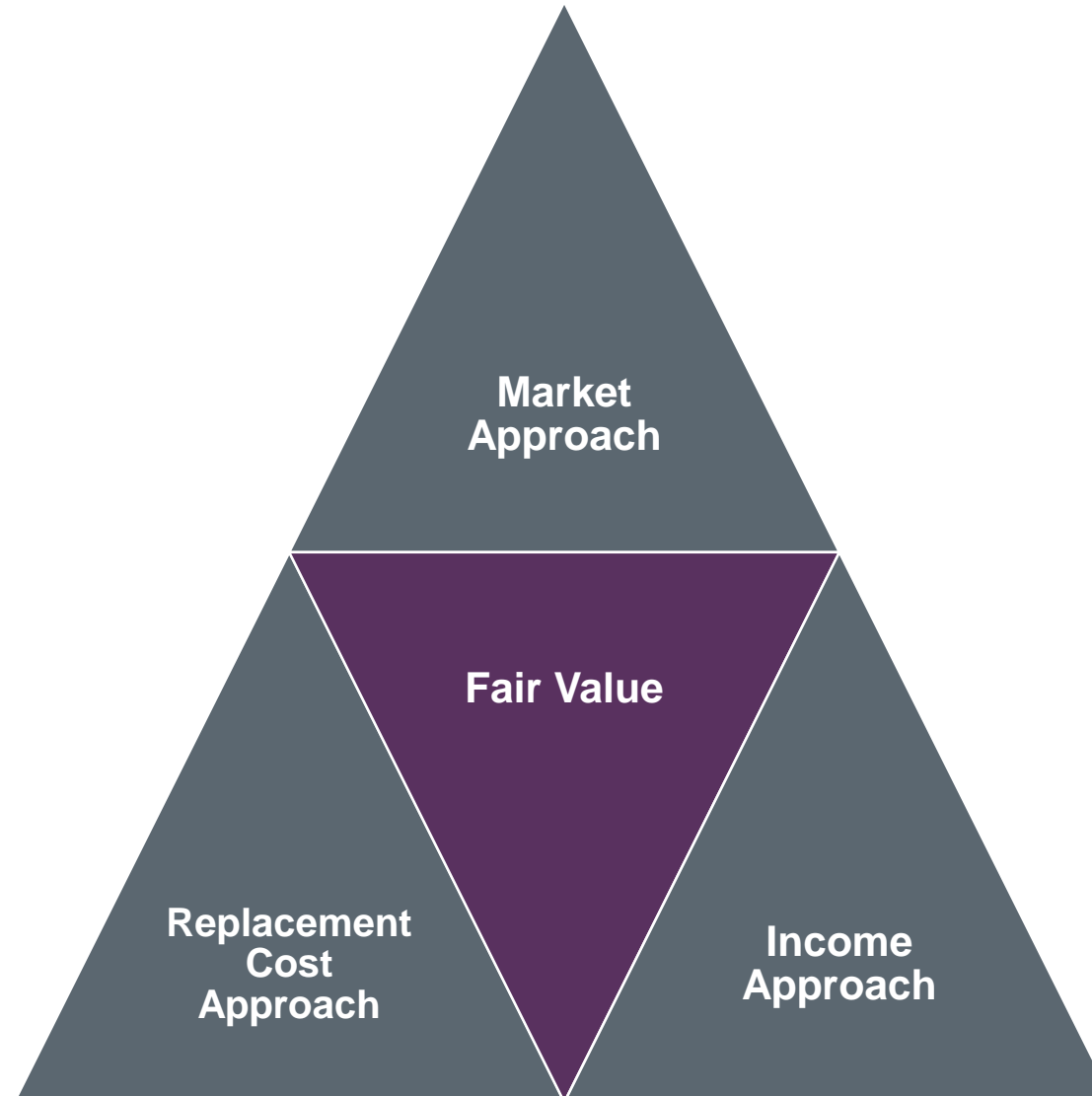
**Fair Value**

# Fair Value Measurements

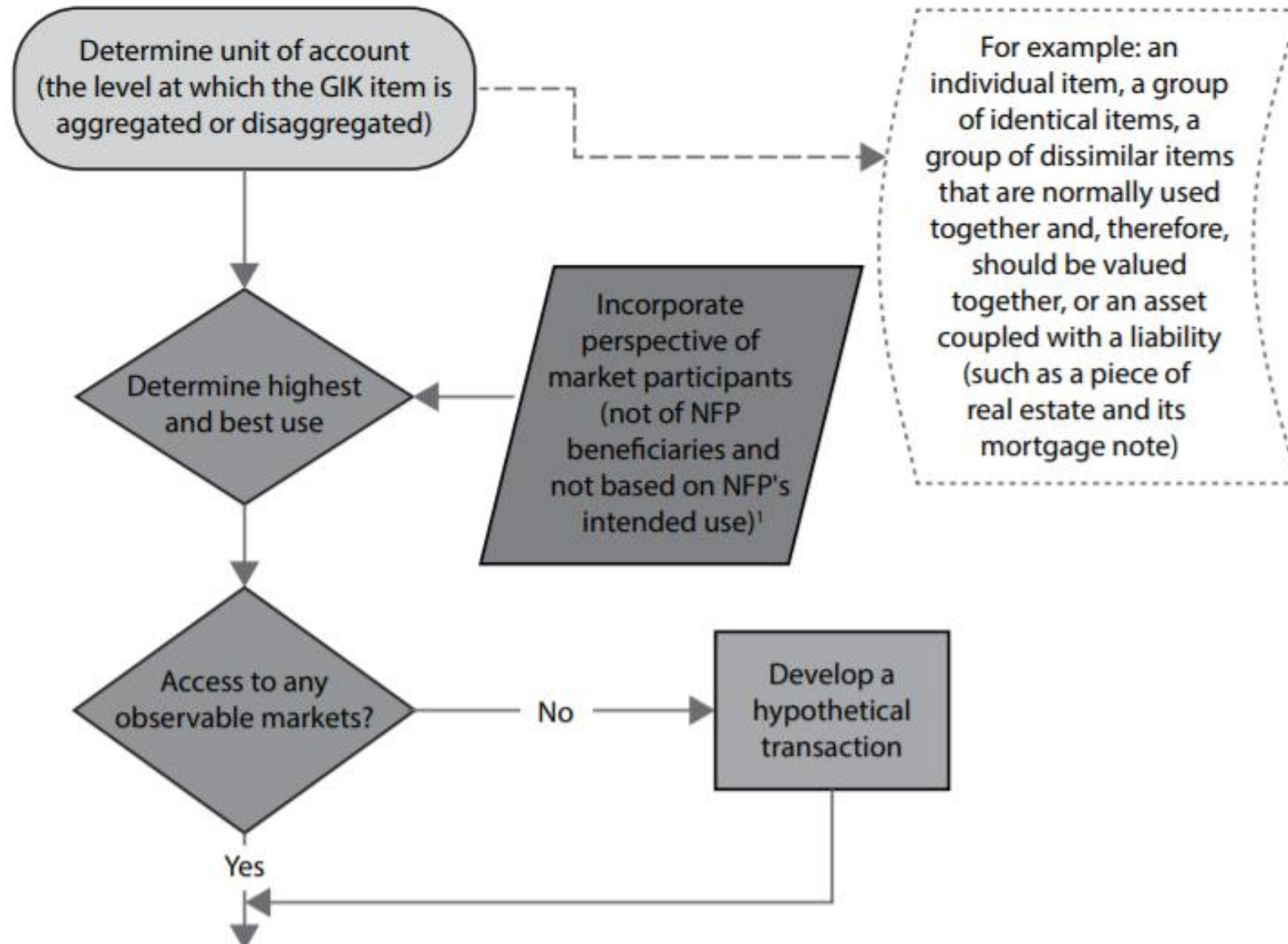
- Breaking down the fair value definition:
  - The price that would be received to sell an asset or transfer a liability
    - Referred to as an **exit price**
  - In an orderly transaction
    - It is not a distressed or forced sale, there are multiple market participants, there was an adequate period of exposure to the market, or it was not an outlier compared to recent transactions.
  - Between market participants
    - The people you'll mostly likely transact with in a **principal** or **most advantageous** market, where the asset has its **highest and best use** for maximum value.
  - At the measurement date
    - What are the facts and circumstances going on at this date?



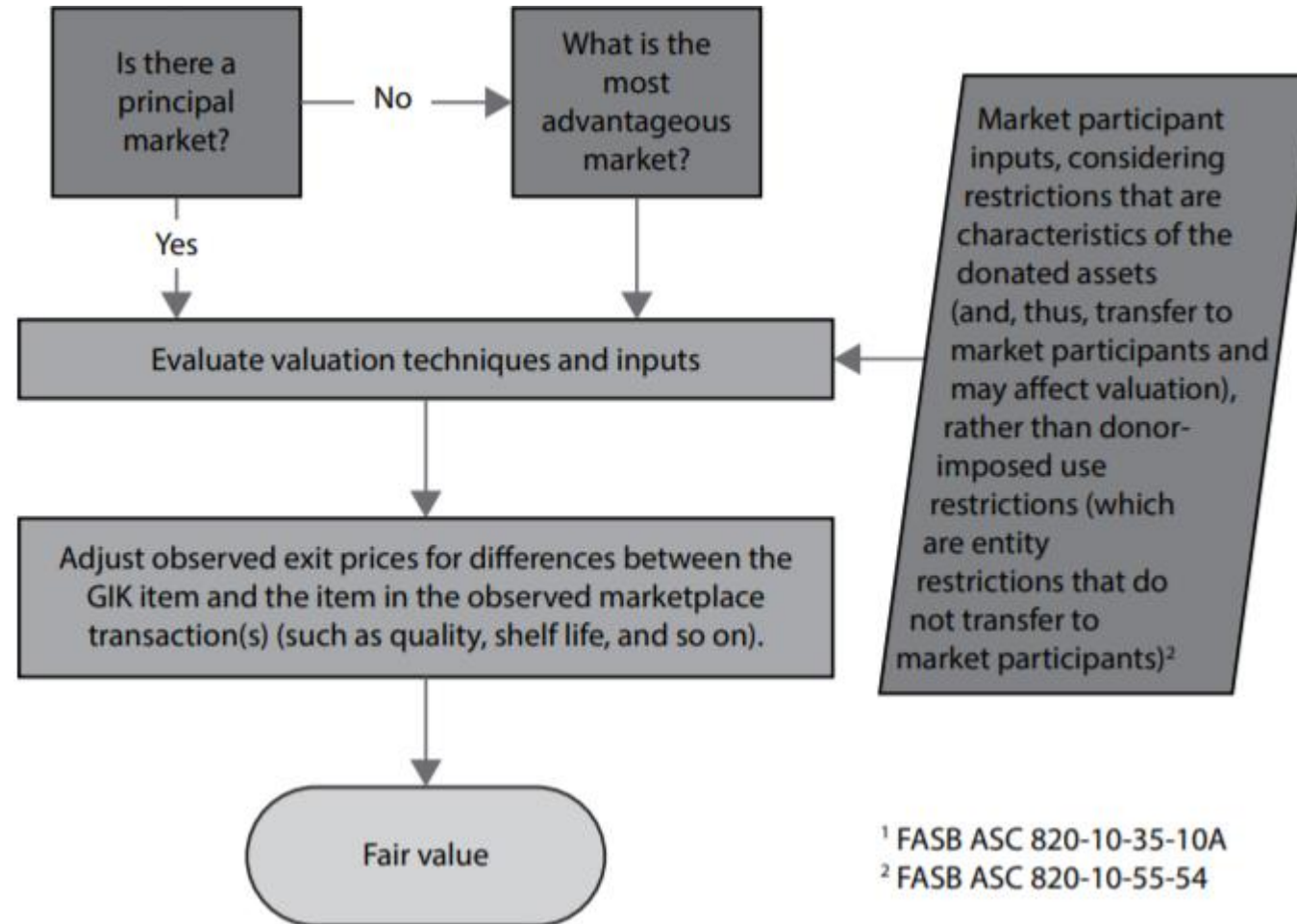
# Valuation Approaches



# AICPA GIK Flowchart



# AICPA GIK Flowchart, continued



# Common Issues – Fair Value

# Legal Restrictions

## OVERVIEW

- Legal restrictions may affect your assessment of who are the proper market participants and the highest and best use of an asset
  - **Asset restrictions** – Limit the legal sale of a GIK
  - **Entity restrictions** – Usually donor or IRS imposed and don't impact your assessment of the principal market

## EXAMPLE 1 – Asset Restriction

- A land trust receives a gift of a conservation easement from a donor, which limits the ability to develop the land.

## EXAMPLE 2 – Entity Restriction

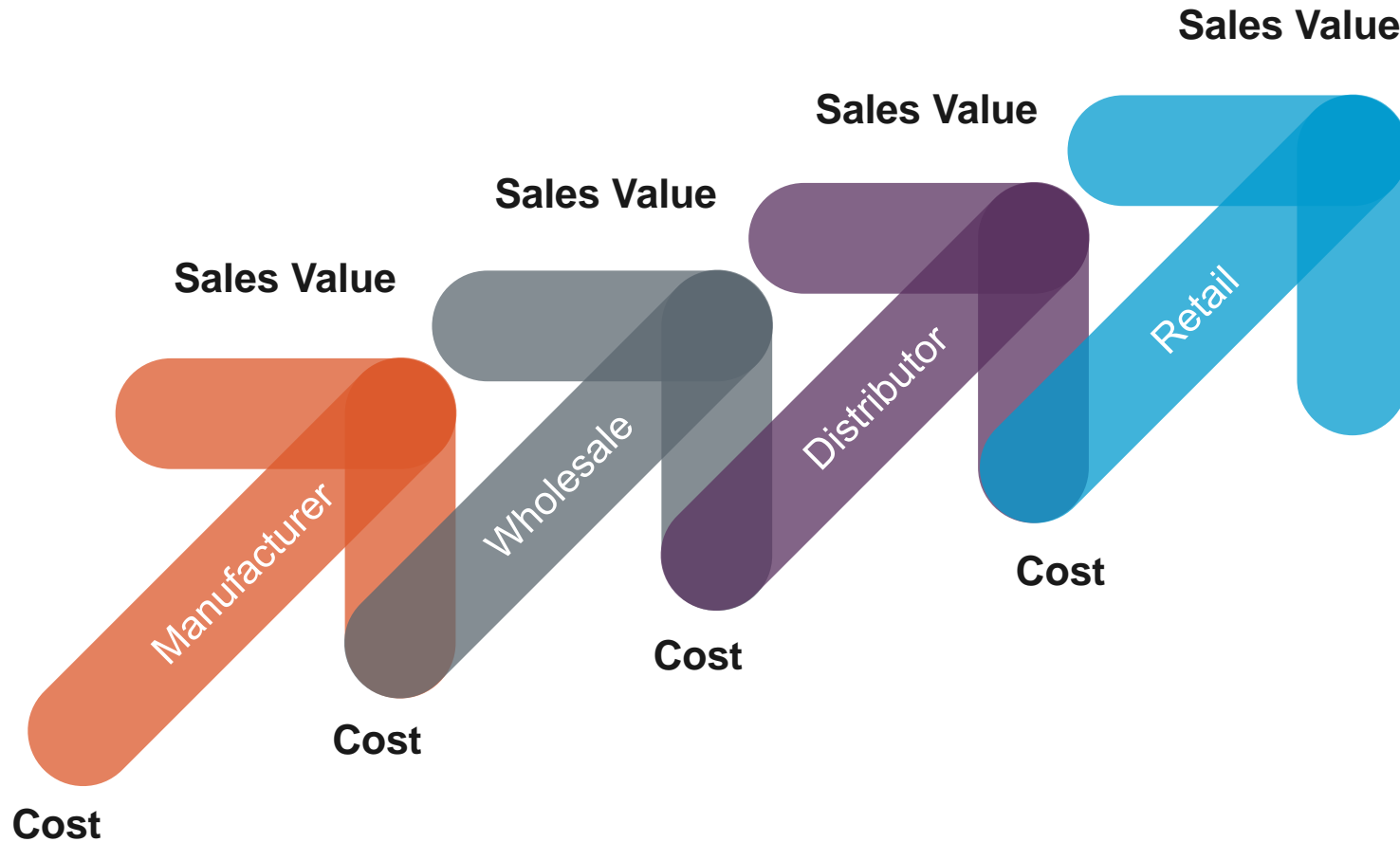
- Donor is a prominent clothing brand in U.S. and donates to international relief NFP, but limits the donation to use outside of U.S. for market protection concerns

# Hypothetical Transaction

## OVERVIEW

- When a GIK item is something that is rarely bought and sold, a hypothetical transaction may need to be developed
- This is a Level 3 transaction
- You don't need to do an exhaustive search about market assumptions, but don't ignore readily available info
- Understand the NFPs role in the role in the supply chain for a hypothetical transaction

# Hypothetical Transaction



# Principal Market

## OVERVIEW

- Determining your principal market can be challenging, because there can be different perspectives:
  - **Donors** – Market the donor normally transacts in
  - **Beneficiaries** – Market where beneficiaries participate
  - **Commercial** – Market where goods and services are normally exchanged

## GUIDANCE

- Ignore beneficiaries as market participants
- The location of distribution of assets may have no relationship to your assessed principal market
- Think about who would normally transact for the GIK in the markets you have access to
  - Commercial entities
  - Other NFPs and NGOs
  - Governments



# Principal Market

## EXAMPLE

- A U.S. relief organization may get medical supplies donated for its COVID-19 relief efforts in India
- The beneficiaries in India may have no way to pay for the distributed supplies
- Many of the donors are distributors in the U.S. that purchase the supplies from China
- The U.S. market is where the highest volume is, and there are no other asset restrictions on the gift

**What is considered to be the principal market where you would look for pricing inputs?**

**The United States**

# Variance Power

## OVERVIEW

- Defined as:
  - The unilateral power to redirect the use of the transferred assets to another beneficiary
- You can override the donor's instructions without approval from the donor or any other interested party

## EXAMPLE

- A NFP relief organization regularly partners with a hospital in Kenya
- The Kenyan hospital asked the NFP to solicit donors for a much needed MRI machine
- NFP solicits donors specifically for the Kenyan hospital and their MRI machine

**NFP would not record a contribution, because they are only an agent and have not obtained “variance power”**

**The donor intent dictates the assets are for the Kenyan hospital**

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# In-Kind Valuation



# What is Fair Market Value (FMV)?

- To figure how much you may deduct for property that you contribute, you must first determine its fair market value on the date of the contribution.
- Fair market value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. If you put a restriction on the use of property you donate, the FMV must reflect that restriction.

# Common Non-Cash Charitable Donations

- Company stock or other securities (public or private)
- Real estate / property
- Vehicles
- Art work
- Digital assets / cryptocurrency
- Furniture, fixtures
- Jewelry, gems, rare coins
- Sports/entertainment memorabilia, tickets, suites
- Patents / Intellectual Property
- Et cetera



# Key Considerations for FMV for In-Kind Donations

- The cost or selling price of the item(s)
- Sales of comparable properties / items
- Replacement cost
- Opinions of experts

# Key Factors to Consider for FMV Analysis & Reporting

IF the factor you are considering is...	THEN you should ask these questions...
cost or selling price	<p>Was the purchase or sale of the property reasonably close to the date of contribution?</p> <p>Was any increase or decrease in value, as compared to your cost, at a reasonable rate?</p> <p>Do the terms of purchase or sale limit what can be done with the property?</p> <p>Was there an arm's-length offer to buy the property close to the valuation date?</p>
sales of comparable properties	<p>How similar is the property sold to the property donated?</p> <p>How close is the date of sale to the valuation date?</p> <p>Was the sale at arm's-length?</p> <p>What was the condition of the market at the time of sale?</p>
replacement cost	<p>What would it cost to replace the donated property?</p> <p>Is there a reasonable relationship between replacement cost and FMV?</p> <p>Is the supply of the donated property more or less than the demand for it?</p>
opinions of experts	<p>Is the expert knowledgeable and competent?</p> <p>Is the opinion thorough and supported by facts and experience?</p>

# Traditional Valuation Methods

- Income Approaches
  - Discounted Cash Flow Method
  - Capitalization of Cash Flows Method
- Market Approaches
  - Guideline Comparables
  - Guideline Transactions
  - Transactions of the same security / asset
- Asset Approaches
  - Replacement Cost Method
  - Net Asset Value Method



# Challenges

- Unusual Market Conditions
  - Arm's length transaction is the best evidence of value but not all transactions reflect normal/orderly arm's length conditions
- Selection of Comparable Sales
  - Must assess degree of comparability
  - Create support for why the comparable sales support value conclusion
- Future Events
  - Must assess what is “known/knowable” while accounting for reasonable risk
- Using Past Events to Predict the Future
  - Past events may not reflect future outlook

# Qualified Appraisal

- Generally, if the claimed deduction for an item or group of similar items of donated property is more than \$5,000, you must get a qualified appraisal signed and dated by a qualified appraiser. You must also complete Form 8283, Section B, and attach it to your tax return.

# Qualified Appraisal, cont.

- A qualified appraisal is an appraisal document that:
  - Is made, signed, and dated by a qualified appraiser in accordance with generally accepted appraisal standards;
  - Meets the relevant requirements of Regulations section 1.170A-17(a);
  - Is dated no earlier than 60 days before the date of the contribution and no later than the date of the contribution. For an appraisal report dated on or after the date of the contribution, the valuation effective date must be the date of the contribution made not earlier than 60 days before the date of contribution of the appraised property, and
  - Does not involve a prohibited appraisal fee.

# Qualified Appraiser

- A qualified appraiser is an individual with verifiable education and experience in valuing the type of property for which the appraisal is performed.
  - Has earned an appraisal designation from a generally recognized professional appraiser organization;
  - Has met certain minimum education requirements and two or more years of experience;
  - The individual regularly prepares appraisals for which he or she is paid, and
  - The individual is not an excluded individual.

# Qualified Appraiser, cont.

- ***Excluded individuals:***
  - The donor of the property or the taxpayer who claims the deduction.
  - The donee of the property.
  - A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within 2 months of the date of acquisition and its appraised value is not more than its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
  - Any person employed by any of the above persons.

# Qualified Appraiser, cont.

- ***Excluded individuals (cont):***

- Any person related under section 267(b) of the Internal Revenue Code to any of the above persons or married to a person related under section 267(b) to any of the above persons.
- An appraiser who appraises regularly for a person in (1), (2), or (3), and who does not perform a majority of his or her appraisals made during his or her tax year for other persons.
- An individual who receives a prohibited appraisal fee for the appraisal of the donated property.
- An individual who is prohibited from practicing before the IRS under section 330(c) of title 31 of the United States Code at any time during the 3-year period ending on the date the appraisal is signed by the individual.

# Qualified Appraisal Services

- A qualified appraisal team, such as BPM's valuation and appraisal practice, can help secure the required disclosure to support the FMV of the in-kind donation
- Avoid tax penalties
- Shorten statute of limitations
- Provide overall advisory and peace of mind
- Collaborate with other trusted advisors (CPA, legal counsel) to develop a comprehensive game plan



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# In-Kind Tax





# Tax vs. Accounting

In Kind gifts that might be included in financials statement but are excluded for tax

- Contributed facilities (Space, vacation home usage, etc.)
- Donated services ( legal services, media time, research time)

In Kind gifts which are noncash for tax but often are treated as cash for financial statements – donated stocks

In Kind gifts that are treated the same for tax and GAAP

- Furniture, food inventory, clothing. Equipment, supplies
- Tangible items donated for auctions, special events

# Tax compliance for and your organization and your donors

- Written acknowledgement
- Quid pro quo contributions – written disclosure
- Form 8283 – signed by qualified appraiser & charity
- Form 8282 – (for sale of donated items within 3 years)
- Vehicle donations – 1098-C

# Written acknowledgement

Required under Internal Revenue Code section 170(f) for a donor to substantiate a charitable contribution of \$250 or more.

Must have the following information

- A. Name of the organization;
- B. Amount of cash contribution;
- C. Description (**but not value**) of non-cash contribution;
- D. Statement that no goods or services were provided by the organization, if that is the case;
- E. Description and good faith estimate of the value of goods or services, if any, that organization provided in return for the contribution; and
- F. Statement that goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case.

# Quid Pro Quo Contributions

Charitable Contributions - Quid Pro Quo Contributions | Internal Revenue Service (irs.gov)

- Required for contributions partly for goods or services over \$75. A penalty of \$10 per contribution is imposed if the required disclosure is not made.
- The required written disclosure statement must (some exceptions apply):
  1. Inform the donor that the amount of the contributions that is deductible for federal income tax purposes is limited to the excess of any money/property contributed by the donor over the FMV of goods and services provided by the charity, and
  2. Provide the donor with a **good faith estimate** of the fair market value of the goods or services that the donor received.

# Form 8283

About Form 8283, Noncash Charitable Contributions | Internal Revenue Service ([irs.gov](https://www.irs.gov))

- Form 8283 is required to be submitted by the donor for a noncash donation of \$500 or more (similar items are grouped together). If a donation is over \$5,000 a qualified appraiser signature is required
- The donee organization has to sign Part V – Donee Acknowledgement
  - A. The person signing 8283 must be an official authorized to sign the tax returns of the organization or a person specifically authorized to sign Form 8283.
  - B. After signing, the donor has to give a copy B to the organization
  - C. Donor has to fill out name, SSN/EIN, description and the condition of the donated property before giving Form 8283 to the organization

# Form 8282

Form 8282 (Rev. April 2009) ([irs.gov](https://www.irs.gov))

- Form 8282 is required to be submitted by the donee organization when a disposition of a certain charitable deduction property made within 3 years after the contribution (2 years for vehicles).
- Charitable deduction property. Any donated property (other than money and publicly traded securities) if the claimed value exceeds \$5,000 per item or group of similar items donated by the donor to one or more donee organizations. This is the property listed in Section B on Form 8283.
- Original and successor donee must file Form 8282
- Failure to file penalty \$50. Fraudulent identification of exempt use property - \$10,000 penalty

# Vehicle donations – Form 1098-C

Form 1098-C (Rev. November 2019) ([irs.gov](https://www.irs.gov))

- The donee organization has to complete Form 1098-C
- The information needed – donee's and donor's TINs and addresses, date of contribution, odometer mileage, year, make, model, VIN.
- Did the donee organization provide good or services in exchange for the vehicle?
- Value of goods and services provided
- Description of good and services

# Stock donations for Private Foundations

- If a donor donates stocks to a private foundation (PF), a PF will have to pay investment excise tax on the gain between the sale proceeds and **donor's basis** when the shares are sold
- The tax rate is the same for the Net investment Income – 1.39%.
- If a PF does not sell the stocks right away, it is important to keep track of donor's basis
- The donor basis is also used to calculate deferred tax liability for the balance sheet.
- Donors have to keep in mind that their donation will be limited to basis unless it is a donation of qualified publicly traded securities.



# Other Private Foundation Considerations

- Donors have to keep in mind that their donation will be limited to basis unless it is a donation of **qualified publicly traded securities**.
- Contributions to private foundations have different AGI limitations
- Additional excise taxes:
  - Excess business holdings
  - Self-dealing

# Noncash donations and your Form 990

- The noncash contributions are stated on Part VIII, line 1g.
- If total noncash contributions received are \$25,000+, the organization has to complete schedule M (see next slide)
- The organization has to track sale of donated auction items
- For example, if somebody buys a cake for \$1,000 and a FMV of the cake is \$80, the organization has to send a written disclosure for quid pro quo contributions
- Donated services and facilities will be backed out from revenue and expenses

# Schedule M

- Noncash donation are separated by type: food inventory, stocks, clothing, real estate, taxidermy, etc.
- It asks for number of contributions or items contributes, noncash contributions reported on 990, part VIII, line 1g, method of determining noncash contributions amounts

- Additional questions:

A. During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?

B. Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?

C. Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

D. If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

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# Cryptocurrency Gifts



# Operating Considerations

This is a highly volatile asset.  
Can you liquidate quickly if  
needed?



Gift Acceptance and  
Liquidation Policies

Custody and Storage



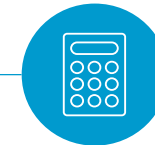
Are you going to use an  
intermediary (i.e. community  
foundation or service  
provider), or set up your own  
custody solution or account?

Fiduciary considerations for  
those looking to invest in  
cryptocurrency



Investment Policy and  
Asset Allocation

Tax, Accounting, and  
Valuation



Several decisions to make

# Initial Accounting – Crypto

- For contributions through an exchange, wallet, or other service (such as Coinbase, Gemini, BitPay, etc.), the fair value initially recorded could likely be the transaction price provided by the service.
- For contributions received directly to an NFP's own wallet, the fair value of another pricing source may be needed.
- For contributions through an intermediary, such as Fidelity Charitable, you will likely only get the cash proceeds after liquidation and record the cash received.

# Fair Value Considerations – Crypto

- Level 1 inputs — Quoted prices in active markets for identical assets or liabilities without adjustment
  - Fortunately, there are likely many exchanges trading your coin or token that can provide around-the-clock price quotes.
  - You will need to determine the right time of day for valuing your coin or token. Two common times used are:
    - 12:00 a.m. Coordinated Universal Time (UTC)
    - 4:00 p.m. Eastern Time (ET)
- Using pricing aggregators, such as CoinMarketCap.com, is not precluded in GAAP (FASB ASC 820-10-35-35-54K). However, because the aggregator is not an active market itself, it is likely a Level 2 asset.

# Fair Value Considerations – Crypto

- Quoted prices in active markets
  - Because there are so many markets for coins and tokens, it is important to determine whether a particular market is active. Considerations include the following:
    - Sufficient frequency and volume
    - An asset has enough exposure time to the market to allow for usual and customary activities
    - A significant recent decline in volume or activity
    - A lot of time has passed since the price quote from the last trade
    - There is a wide bid-ask spread



# Fair Value Considerations – Crypto

- Principal or most advantageous market
  - This determination for your particular coin or token requires a bit of judgment because:
    - This is a global market and there are hundreds of exchanges around the world.
    - Some exchanges only trade a handful of coins and tokens, whereas others trade hundreds.
    - Even if you narrow your pool of exchanges to those with high regulatory oversight in the U.S., U.K., etc., there are still many to choose from.

# Subsequent Accounting – Crypto



In-kind asset



Investment



Intangible

- **Asset classification** — The subsequent accounting is first going to depend on the type of asset you classify cryptocurrency as. You have options within nonprofit GAAP.

# Tax Considerations - Crypto

- Might trigger FBAR filing – depends where it is held ( for the organization and anybody in the organization who has a signature authority)
- Donor's donation is limited to basis if donated to a PF
- Might have liquidation restrictions
- If a donation is over \$5,000, an appraisal is required (and Form 8283 for the donor)

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# Additional Resources and Examples



# References to GLK Accounting Guidance

Topic	FASB ASC	AICPA NFP Guide (March 1, 2021 Edition)
Contributed Services	ASC 958-605-25-16	AICPA Guide 5.110
Contributed Services from Affiliates	ASC 958-605-25-17	AICPA Guide 5.115
Determining if an NFP Receiving Gifts-In-Kind is an Agent or Intermediary		AICPA Guide 5.125
Recognizing Gifts-in-Kind When Acting as an Agent or Intermediary	ASC 958-605-25-24	AICPA Guide 5.126
Valuation of Gifts-In-Kind	ASC 958-605-30-11	AICPA Guide 5.128
Gross or Net Presentation of Gifts-In-Kind	ASC 958-220-45-14	AICPA Guide 5.145
Contributed Items to Be Sold at Fund-Raising Events	ASC 958-605-25-20	AICPA Guide 5.148
Contributed Fund-Raising Material, Informational Material, or Advertising, Including Media Time or Space	ASC 958-605-55-23	AICPA Guide 5.150
Contributed Utilities and Use of Long-Lived Assets	ASC 958-605-55-24	AICPA Guide 5.162
Guarantees	ASC 460-10-30-2	AICPA Guide 5.165
Below-Market Interest Rate Loans		AICPA Guide 5.170
Unconditional Promises to Give Noncash Assets	ASC 958-605-30-8	AICPA Guide 5.191
Contributed Collection Items	ASC 958-605-25-19	AICPA Guide 7.17
Expirations of Restrictions on Gifts of Long-Lived Assets or Gifts for their Purchase	ASC 958-360-45-1A	AICPA Guide 11.41
Transactions That Are In Part a Contribution and In Part an Exchange Transaction (i.e. Bargain Purchases)		AICPA Guide 5.43

# Industry GIK Guidance

- Accord Network Interagency Gift-in-Kind Standards
  - <https://www.dropbox.com/s/v6uonk1k37i3g90/AccordGIKStandards2019.pdf?dl=0>
- InterAction's Pharmaceutical Recommended Methodology Decision Tree and Pricing Inputs Catalog
  - <https://www.interaction.org/documents/interactions-pharmaceutical-recommended-methodology-decision-tree-and-pricing-inputs-catalog/>
- The Partnership for Quality Medical Donations (PQMD) Guidelines for Quality Medical Product Donations
  - <https://www.pqmd.org/wp-content/uploads/2019/05/PQMD-GUIDELINES-v9-2019-.pdf>
- World Health Organization Guidelines for Medicine Donations
  - [https://www.who.int/selection\\_medicines/emergencies/guidelines\\_medicine\\_donations/en/](https://www.who.int/selection_medicines/emergencies/guidelines_medicine_donations/en/)
- Appraisers Association of America's Expert Guide to Collecting
  - <https://www.appraisersassociation.org/index.cfm?fuseaction=Page.ViewPage&pageId=872>



# Documentation Requirements for Charitable Contributions

Type	<\$250	\$250 to \$500	\$501 to \$5,000	>\$5,000
Cash	<ul style="list-style-type: none"> <li>• Bank record or receipt from charity</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> </ul>
Volunteer Out-Of-Pocket Costs	<ul style="list-style-type: none"> <li>• Receipt, canceled check, or other written records</li> </ul>	<ul style="list-style-type: none"> <li>• Receipt, canceled check, or other written records</li> <li>• Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>• Receipt, canceled check, or other written records</li> <li>• Acknowledgment</li> </ul>	<ul style="list-style-type: none"> <li>• Receipt, canceled check, or other written records</li> <li>• Acknowledgment</li> </ul>
Publicly Traded Stock	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>
Private Stock	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Qualified appraisal if FMV &gt;\$10K (include w/ return if &gt;\$500K)</li> <li>• Form 8283, Sec B</li> </ul>
Artwork	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Qualified appraisal (include w/ return if FMV &gt;\$20K)</li> <li>• Form 8283, Sec B</li> </ul>

# Documentation Requirements for Charitable Contributions

Type	<\$250	\$250 to \$500	\$501 to \$5,000	> \$5,000
Autos, Boats & Planes – Not Used/Improved by Charity	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C or other acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C (attached to tax return)</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C (attached to tax return)</li> <li>• Written records</li> <li>• Form 8283, Sec B</li> </ul>
Autos, Boats & Planes – Used/Improved by Charity	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C or other acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C (attached to tax return)</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1098-C (attached to tax return)</li> <li>• Written records</li> <li>• Qualified appraisal</li> <li>• Form 8283, Sec B</li> </ul>
Patents and Other Intellectual Property	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Donor statement to charity (*IRS Notice 2005-41)</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Donor statement to charity*</li> <li>• Donee's income acknowledgment (Form 8899)</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Donor statement to charity*</li> <li>• Donee's income acknowledgment (Form 8899)</li> <li>• Form 8283, Sec A</li> </ul>



# Documentation Requirements for Charitable Contributions

Type	<\$250	\$250 to \$500	\$501 to \$5,000	> \$5,000
Other Noncash Gifts from Individuals	<ul style="list-style-type: none"> <li>• Receipt</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Form 8283, Sec A</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledgment</li> <li>• Written records</li> <li>• Qualified appraisal if FMV &gt;\$500K or any amount for facade easement</li> <li>• Form 8283, Sec B</li> </ul>
Inventory or Property by a Corporation	<ul style="list-style-type: none"> <li>• Written statement showing charity's intent to comply with restrictions of donation (IRS Reg 1.170A-4A(b)(4))</li> </ul>	<ul style="list-style-type: none"> <li>• Written statement showing charity's intent to comply with restrictions of donation (IRS Reg 1.170A-4A(b)(4))</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Written statement showing charity's intent to comply with restrictions of donation (IRS Reg 1.170A-4A(b)(4))</li> <li>• Written records</li> </ul>	<ul style="list-style-type: none"> <li>• Written statement showing charity's intent to comply with restrictions of donation (IRS Reg 1.170A-4A(b)(4))</li> <li>• Written records</li> <li>• Form 8283, Sec B (only amounts &gt; COGS if had been sold vs. donated)</li> </ul>

# Additional Examples

# Thrift Shop Inventory

## EXAMPLE

- Thrift shop receives donated clothing for resale
- Program participants are paid to clean and fix up clothing for resale
- Thrift shop does not maintain a perpetual inventory system
- Historical experience is that 100% of beginning of month inventory and 50% of contributed inventory turns during a month
- Results for the month:
  - Beginning inventory \$30,000
  - Sales \$75,000
  - Participant salaries & benefits \$10,000

## CALCULATIONS

### Calculation of Contributed Inventory

Sales	\$ 75,000
Less: 100% of beginning inventory	<u>(30,000)</u>
Inventory added during month (50%)	45,000
Less: participant salaries & benefits (50%)	<u>(5,000)</u>
Contributed inventory (50%)	\$ 40,000

### Inventory Rollforward

Beginning inventory	\$ 30,000
Add: contributed inventory (\$40,000/50%)	80,000
Add: participant salaries & benefits	10,000
Less: sales	<u>(75,000)</u>
Ending inventory	\$ 45,000

# Thrift Shop Inventory

## JOURNAL ENTRIES

To record contributed inventory	DR	CR
Inventory	\$80,000	
Contribution Income – Unrestricted		\$80,000

To record capitalized wages	DR	CR
Inventory	\$10,000	
Cash or Accrued Liabilities		\$10,000

To record sales and cost of sales	DR	CR
Cash	\$75,000	
Cost of Sales	\$75,000	
Inventory		\$75,000
Sales		\$75,000

# Contributed Use of Long-Lived Assets

## EXAMPLE 2

- Discounted office rent for 5 years for \$10,000 a year with a fair value of \$15,000 a year
- The long-term pledge has a total discount of \$3,500
- Year 1 discount amortization is \$500

Journal Entry – Initial Recognition	DR	CR
Contribution Receivable – Use of Facilities	\$25,000	
Contribution Income – Restricted		\$21,500
Discount on Contribution Receivable – Restricted		\$3,500

Journal Entry – Year 1 Rent	DR	CR
Rent Expense	\$15,000	
Contribution Receivable – Use of Facilities		\$5,000
Cash		\$10,000

Journal Entry – Year 1 Release	DR	CR
Release from Restriction - Restricted	\$5,000	
Release from Restriction – Unrestricted		\$5,000

Journal Entry – Year 1 Discount Amortization	DR	CR
Discount on Contribution Receivable – Restricted	\$500	
Amortization of Discount - Restricted		\$500

# Gifts of or for Long-Lived Assets

## OVERVIEW

- For gifts of long-lived assets where the NFP retains title or cash to purchase long-lived assets, recognize a contribution and an asset
- Contribution will be restricted and then released from restriction entirely once the asset is placed in service
- Pay attention for additional donor restrictions on use

## EXAMPLE

- \$50,000 in fixtures and \$25,000 in cash donated for new building

Journal Entry – Initial	DR	CR
Cash	\$25,000	
Construction in Progress	\$50,000	
Contributions – Restricted		\$75,000

- Placed in service at year end

Journal Entry – Placed in Service	DR	CR
Fixed Assets	\$75,000	
Construction in Progress		\$50,000
Cash		\$25,000
Release from Restriction – Restricted	\$75,000	
Release from Restriction – Unrestricted		\$75,000

# Contributed Services

## EXAMPLE

NFP is having its annual gala and a famous performer agrees to donate a performance.

NFP normally does not have a performance at the gala and would not pay for one.

**Do you record a contribution for the performer?**

**No**



Create or enhance a nonfinancial asset



Requires a specialized skill



Would typically need to be purchased



Provided by individuals with those skills

# Contributed Collection Items

## OVERVIEW

- Works of art, historical treasures, and similar assets
- Nonprofits have three options:
  - Capitalize collection items
  - Don't capitalize collection items
  - Capitalize items acquired after a stated date
- Option to not capitalize only available if **all** criteria are met (capitalize otherwise):
  1. Held for exhibition to the public, rather than financial gain
  2. Protected, cared for, and preserved
  3. Subject to policy that proceeds from sale are reinvested in other collection items



# Contributed Collection Items

## OVERVIEW

- Capitalizing collections as an asset often requires appraisals and can be costly
- Donor restrictions on use
  - Permanent collection
- Most organizations don't capitalize and include enhanced footnote disclosures
- ASU 2019-03 clarified that proceeds from sale of collection items can be used to either 1) acquire new collection items or 2) directly care for existing items already in possession



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