



**Lower
Manhattan
Cultural
Council**

EMPOWERING ARTISTS,
INVESTED IN COMMUNITY

ARTISTS SUMMER INSTITUTE

BUDGETING & CASH FLOW

TIPS FOR REFLECTING IN-KIND CONTRIBUTIONS IN A PROJECT BUDGET

What are in-kind contributions?

In-kind contributions (or gifts in kind) are a form of charitable giving in which, instead of cash to buy needed goods and services, donors provide the actual goods and services at no charge.

Reasons for accounting for the value of in-kind contributions:

1. To track and represent the full range of support received
2. To reflect the full range of resources you or your organization are actually managing. This can be useful when your project scope and capacity is much greater than the cash-based budget would show.

How to account for in-kind contributions:

Rules vary on how to account for these contributions, depending on whether you need the figures for project management, for IRS filing, or for other accounting purposes. To follow are practical recommendations, not hard and fast rules, for **reflecting in-kind contributions in order to manage and fundraise for a project, as opposed to a tax filing or audit.** Ask your accountant or tax professional for advice on whether or how to reflect in-kind donations in your tax filings or audits.

VALUING IN-KIND GOODS OR SERVICES

Donated Goods: In-kind donations are generally valued at their fair market rate, or value at the time of donation. A used object or item condition, should be assigned its current value, not the cost of purchasing it new. Keep a record of the basis of these valuations (documentation) –such as published rates or fees, or request a valuation in writing from the donor.

Professional Discounts: If you wish to value the difference between “market rate” and a discounted rate extended to you by a vendor or professional, keep in mind the original rate and the discount should be documented. Do not value the difference between what you have agreed to pay and what you *would ideally like to pay* personnel or vendors if you had more money. In-kind donations should reflect mutually acknowledged contributions and real agreements –not a wish list.

Space Donations: This applies to space that is typically available for rental, based on established rental fee rates, such as a theater, rehearsal or event space. Do not attempt to calculate the value of the overhead costs of any entity that offers to host your event (i.e., their rent, utilities) –for example, a local library hosting your event in their reading room, which is free for community use or a patron who hosts a fundraising event in their home.

Professional Services: Free or pro-bono services from licensed professionals should be valued at their existing rates for services (e.g. legal, architectural, engineering, accounting, design).

Volunteer Labor: Labor by volunteers who are not professionals or specialists should not necessarily be reflected as in-kind donations. For example, if a student volunteer helps with your bulk mailing, this is not comparable to a professional waiving a fee for providing their expertise.

REFLECTING IN-KIND DONATIONS WITHOUT LOSING TRACK OF YOUR CASH

It's tricky to combine cash with non-cash valuations within a budget –particularly if you have a lot of in-kind donations to reflect. You run the risk of losing track of how much cash you actually have to spend. Use one of the following strategies to ensure your in-kind valuations do not create confusion about your cash position.

1. If you show in-kind valuations within your budget, you **must show the amount both as income and as an expense**. This way, the amounts will balance, or cancel one another out. If you neglect to show the value as an expense, it may appear that you have more cash than you do, and result in overspending.
2. Keep in-kind valuations separate from your cash-based budget, such as:
 - your project description;
 - in the notes section to the budget;
 - within a separate section of your budget. See the following example.

		BUDGET	ACTUAL
INCOME			
Sales/Earned			
Foundation			
Government			
Corporate			
Individual			
TOTAL INCOME			
EXPENSE			
Personnel			
Direct Project Costs			
Other Costs			
TOTAL EXPENSES			
BALANCE/(DEFICIT)			
IN-KIND DONATIONS			
Donated services			
Donated goods			
TOTAL IN-KIND			