



**Lower
Manhattan
Cultural
Council**

EMPOWERING ARTISTS,
INVESTED IN COMMUNITY

BASIC FINANCE FOR ARTISTS: DANCE EDITION

WEEK ONE: Budgeting & Cash Flow

TIPS FOR REFLECTING IN-KIND CONTRIBUTIONS IN A 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 by your organization or project
2. To reflect the full range of resources you or your organization are actually managing as part of your project or the work of your organization. This may demonstrate that your project scope and capacity is greater than the cash-based budget would show.

How to Account for In-Kind Contributions in a Budget

Rules vary on how to account for the value of these contributions, depending on whether you are using these figures for tax purposes or to comply with GAAP (generally accepted accounting principles) for accounting purposes. Many of these rules apply primarily to organizations, and may differ in intent from the reasons you as an artist or arts organization might wish to reflect in-kind contributions in a budget.

The information offered below includes practical recommendations, as opposed to hard and fast rules, for **reflecting in-kind contributions in a budget -as opposed to a tax filing or audit**. Ask your accountant for advice on how or whether 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. Remember to value the object or item actually donated, not the cost of purchasing of a new version of the object or item, if it is used. Keep in mind that your valuations should be documented wherever possible

–that is, based on published rates or fees, or on a valuation provided in writing from the donor.

Professional Discounts: If you wish to value the difference between “market rate” and discounted rates agreed to by a vendor or colleague, keep in mind the original rate should be something that is documented. This should not be confused with what you *would like to* pay fellow artists and vendors on this project if you had the money. Remember that a budget is a plan, not a wish list.

Space Donations: The in-kind valuation in the case of donated space would be the fee charged as a space that is available for rental, based on established rental fee rates. Do not include the valuation of the overhead costs of another person or organization that donates space (i.e., their rent, utilities, mortgage payment). For example, if the library lets you hold your event in their reading room, as a public space, it’s free. You would not account for a hypothetical venue fee or the value of their rent/electricity, etc. within your own budget or records. However if a theater regularly rents its space out for \$1,000 per time unit and donates the space to you, you may value it at \$1,000 x the number of time units you use for your project.

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).

Volunteer Labor: Labor by volunteers who are not professionals or specialists should not be valued at a rate that a professional would charge. For example, if a student handles your bulk mailing, their labor should not be valued at the rate of a professional –the student would be considered a volunteer.

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 confuse your cash position:

- **If you show in-kind valuations as part of your income in a budget, you MUST show the same amount as an expense.** This way, the amounts will balance out, or cancel one another. If you neglect to show this value as an expense, you may end up thinking you have more money than you do, resulting in overspending.
- It is preferable to keep your in-kind valuations completely separate from cash. Track them in a different place and show your in-kind valuations as **notes to the budget**, or within your **project description**.
- If you wish to show the value of your in-kind donations alongside your cash budget, **create a separate section in your budget spreadsheet.** Example below.

		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			