

Cash and In-Kind Contributions: Steps to Meeting Your Smart Start Fundraising Goal

The following steps focus on “counting” every allowable cash and in-kind contribution to your Smart Start projects.

- **Step One:** List all of the activities you will fund through Smart Start in the new fiscal year.
- **Step Two:** Identify the broad goals for each activity. Why are you undertaking them and what do you want to accomplish? If the scope of the goals is small, it is likely that the scope of potential contributions will also be small. For example, in a specific activity, if your goal is only to repair a roof, you will only be able to count contributions towards the repair of the roof. If your goal is to expand the capacity of a child care center (and you are repairing the roof with your Smart Start funds), you can count all contributions towards the expansion of that childcare center.
- **Step Three:** Draft a budget for each activity that reflects the total funds necessary to meet your goals for that project. Don’t just list your Smart Start funds. Include every possible cost that will be needed in order to meet the goals. Include costs that you will not have to pay for because they are being provided as a contribution (office space, staff time, supplies, volunteer support, etc.) If you were starting this program from scratch and having to pay for every expense, how much would it cost? **Note:** If you don’t include it in your activity budget, it will be difficult to make a case for “counting” it later.
- **Step Four:** Divide the budget into Smart Start funds and “other” funds.
- **Step Five:** Everything in the “other” funds column can potentially be a contribution. Review these amounts to ensure that you have not missed anything.
- **Step Six:** Determine from the “other” column what can actually “count” as a contribution toward the fundraising requirement. When making that determination, use a worksheet to begin making the following assessments of potential contributions for each specific activity:
 - a. Delete all state funds. No state funds can count.
 - b. Delete all funds from the federal government that came through the state government.
 - c. Delete all funds for which you cannot obtain written documentation of the contribution.
- **Step Seven:** Once you have made this assessment, report all remaining contributions to the program that have the required support as part of your quarterly cash and in-kind contribution report. Report these contributions as they are made each quarter so that we can track them and assure that they actually occurred.
- **Step Eight:** Maintain all documentation of contributions in the local partnership office along with your quarterly reports. These reports and the attached documentation will be audited

annually. The auditors will ask to see both the report and the documentation. If you don't have it on hand and can't get it quickly, they will NOT count anything you've reported.

In-Kind Contributions – Document, Document, Document!!!!

Approximately 30% of all In-kind contributions reported by local partnerships and their contractors were DISALLOWED by the auditors in previous fiscal years because the documentation on the contributions did not meet the established criteria. The auditors have been very specific about the documentation that they want to see on any in-kind contributions we report. **If you are not able to provide that documentation to them, it is best not to report the in-kind contribution.**

A. Rules of Thumb: There are several rules of thumb to follow when determining what counts and securing the necessary documentation. Keep these in mind as you go forward in the next year.

1. The word ESTIMATE should NEVER be used in any of your documentation. "Estimate" means that you don't have documentation to validate the exact amount of your contribution. Get rid of that word!
2. Donor Assigned Values are NEVER accepted. The accepted criterion for valuing is "what an independent third party would sell it or buy it for". Never list an in-kind contribution as having a "donor assigned value". The value should be a receipt or market rate or appraisal by an independent third party.
3. Don't drive yourself crazy trying to document small contributions. If you've got the documentation, great. If not, leave it off the report or code it as "no documentation". Spend your time focusing on documentation for the larger contributions rather than the small ones. That's where your time is better spent. Use your discretion in determining what is worth the effort or not.

On the following pages, you will find examples of commonly reported in-kind contributions. There may be other donations of in-kind goods that you will receive that are not covered in this information package. No matter what the contribution is though, it will always be essential that you have documentation similar to what is outlined in each section. Please use this information to assure that your documentation of ALL in-kind contributions meets the established standards and that 100% of in-kind contributions will be ALLOWED in this fiscal year.

B. Common Types of In-Kind Contributions:

- Office or Classroom Space
- Food
- Meeting Space
- Discounts
- Used clothing and toys
- Copying
- Computers
- Supplies

- Staff Support
- Professional Volunteer Services
- Non-professional Volunteer Services

C. OFFICE OR CLASSROOM SPACE

Unless you are receiving reimbursement of rent or some other fee on the office space line item of the project budget, you are donating office or classroom space to Smart Start. Make sure you list this as a contribution.

To list space as an in-kind contribution, the value of the space must be computed on a square footage basis. The value you place on each square foot must be based upon the market value per square foot for the particular area. The following items **MUST** be submitted for review by the State Auditor’s office and/or the local partnership in order to count.

- **Floor Plan:** To document the actual space that is being contributed, you will need a floor plan of the building or office space that specifically outlines the space that is being contributed. If you cannot find a floor plan, just make a simple drawing with the specific measurements of the space being donated. The floor plan is essential in order for the auditors to approve the donation of office space. They have also suggested that you include the address, phone number and contact name for the office space to meet the “verification” test.
- **Documentation of estimated market value per square foot:** The market value of the space must be documented. You may be able to document this information through a lease agreement or price list. If not, you can obtain this value by contacting a local commercial real estate agency or documenting it from newspaper ads. In either case, you must show how you obtained that value. If from a local Realtor, they will need to provide the estimate in writing to you. To save them the hassle (and/or a possible fee for you), you could write a letter to them confirming the conversation and the value they gave and asking them to sign and return the letter to you.
- **Computing the Amount Correctly:** One of the biggest problems we find is that the value of office space is not computed correctly. To get the correct value, multiply the total square feet by the value per square foot. This will give you an annual amount. If you prefer to report it on a quarterly basis, you must then divide the amount by twelve and then multiply it by the number of months that you are reporting. Often, persons skip the step of dividing by twelve and simply multiply by the number of months. This gives a grossly inflated number that is incorrect. Please double-check your math on all these entries.
Example: Office space of 1200 square feet at a value of \$5.80/square foot is \$6,960/year or \$580/month or \$1740/quarter.

Note: Schools, county agencies, and community college offices are generally owned by private or local government sources. For example, while the local school system might be primarily funded by state dollars, the schools themselves are generally county-owned. The same is true of the offices that house departments like Health, Social Services, etc. In the case of the community colleges, those buildings are often owned by a private foundation. As a

result, office and classroom space used as part of a Smart Start project can often be listed as an in-kind contribution towards the match requirement. Make sure you capture it wherever possible. It adds up!

Finally, while this may seem like an excessive amount of effort, it's worth it! It adds up to more money than many other donations. Also, once you've got all this documentation, you don't have to worry about it again for the rest of the year. In most cases, the information on the value is also good for another 1-2 years so, if this is an ongoing program and donation, you can use this same documentation the following year.

D. STAFF TIME

Even if you are paying for a staff member for the Smart Start project, are you paying for the staff time for everyone that is working on the project? Is there someone that is supervising the project or supervising the staff position that Smart Start is funding? Who is handling all the paperwork that Smart Start requires? The time spent by staff in doing these tasks on behalf of the project can count as a contribution – if you are not already paying for it. BUT...you've got to verify the time they are contributing and the value of their time. Estimates are NOT accepted.

This falls into the category of it may be a challenge to get this documentation but is worth it. The value of someone's time really adds up over the course of a year. To assure it COUNTS, make sure you've got the following:

- **Confirmation that the person is paid with non-state funds:** For county agencies, schools, and community colleges, it is essential that you get the answer to this question before you attempt to report staff time as an in-kind contribution. Many of these persons are paid with state funds. If they are, we CANNOT count their time as a contribution to the match. BUT...if they are paid only partially with state funds, we CAN count the portion of their time that is from non-state sources.
Example: If 45% of the salary of a nurse in the Health Department is paid from state sources, then we could count the 55% that is from non-state sources. Fifty-five percent of the time they work on behalf of the Smart Start project could be valued as a contribution.
- **Time sheet or a log sheet which itemizes the days and hours they are working on behalf of the Smart Start-funded project:** If someone already keeps a time sheet, they can add a Smart Start line to it. Every time they submit a time sheet, they should make a copy and keep it in a file for submission later to the local partnership. If they do not keep time sheets, they should keep a sheet of paper at their desk and log in each day the number of hours they worked on the Smart Start project. These must be kept in daily allotments of time. If only weekly or monthly amounts are given, the auditors will assume that these are only estimates and do not reflect the actual hours spent on the project. Preferably, these log or time sheets should be signed by the staff member and supervisor to “certify” the time worked on behalf of the project.
- **Payroll Information:** There must be documentation of the value of someone's time. It can be a copy of their pay stub, a copy of the payroll sheet or a letter from the finance or personnel office of the organization that certifies the individual's rate of pay. In such

instances, it should reflect the total salary and benefits. This amount should then be divided by 2080 in order to obtain the hourly rate of pay. After you have received a copy of this information once, you will not need to get it again.

Example: If someone makes \$25,000 per year as well as an additional \$3750 in benefits, they have a total annual compensation of \$28,750. Divided by 2080 hours, this individual has an hourly rate of \$13.82 per hour. Their log sheet shows that they worked a total of 16 hours in a pay period on the Smart Start project. That translates into \$221.12 as an in-kind contribution for the project. BUT...if only 55% of the person's salary is from non-state funds then you would only count 55% or \$121.62.

- **Time Studies:** Some contributors don't like to keep time sheets or log sheets that reflect the time being donated. They maintain that they have completed time studies that confirm the amount of time they are reporting as a donation. In these instances, please provide detailed information on these time studies and how you arrived at the specific amount of time that you are reporting as a donation. What the auditors will want to know is that you have not pulled this time out of thin air and that you have a legitimate rationale for how you arrived at the specific amount of the donation.

E. VOLUNTEER HOURS – PROFESSIONAL AND NON-PROFESSIONAL

Until FY 2001, we were only able to place a value on the donation of professional volunteer hours/services provided to a local partnership for a Smart Start project. In the 2000 legislative session, the law was changed to allow us to place an in-kind value on **non-professional** volunteer hours.

What's the difference between professional and non-professional? Professional hours encompass the services of a lawyer, accountant, doctor, teacher, painter, etc. The hours and services they donate must relate to their professional expertise in order to value their time as a professional service. The value of their time would then be at a higher rate than a non-professional volunteer service.

What's an example of a "non-professional" volunteer?

- Members of your board who attend board meetings – They serve on the board as volunteers regardless of which agency they represent. (The auditors have approved this rationale.)
- Committee members

Note: Direct Service Providers who are attending a meeting that is required under their Smart Start grant are NOT considered volunteers **in that particular situation** and therefore your time should not be recorded in this way.

Non-Professional Volunteer Hours: Per legislative requirement, the value of Non-Professional Volunteer Hours is based on the statewide average wage rate listed in the Employment and Wages in North Carolina report. This amount has changed annually in the past. Please verify that you have the correct amount by checking the Cash and In-Kind section of the Partners' Toolbox at www.wakesmartstart.org or by contacting the Fiscal Staff at Wake County SmartStart. As of July 1, 2016, the rate for Non-Professional Volunteer Hours is: \$22.40.

Individual Volunteer Documentation: In order to use the non-professional volunteer rate and to report non-professional volunteer hours as a contribution, you will need to provide a time sheet that details the days, hours and type of volunteer activity. This time sheet must be signed by both the volunteer and a representative of the organization for which he/she is volunteering. Attached to this tip sheet, you will find a sample copy of a time sheet. PLEASE utilize this time sheet or something very similar on behalf of volunteers working for the Smart Start-funded project. The local partnership will need to have these volunteer time sheets on hand for review by the auditors. Without these signed and completed time sheets, volunteer time will be disallowed.

Documentation of Volunteers Attending Board or Committee Meetings: You will also find an example of an alternative reporting form that can be used to report the volunteer hours of persons attending board or committee meetings. In such instances, rather than having 25 separate time sheets from your board or committee members, you can have them sign this form and use that as the documentation of their volunteer time in attending the meeting. This will substantially cut down on your paperwork.

Summarizing Volunteer Time: The auditors will review only a portion of your volunteer time to assure that you have accurately reported and documented it. To that end, you should provide a summary sheet that lists all of your volunteers along with a cumulative total of their volunteer time. This sheet will be used in the audit process with the individual timesheets as back-up to it. An example can be found in the attachments.

Professional Volunteer Hours: In order to value a person's time at the professional rate of service, the time and value of the service must be documented. You must also show that this is a professional providing the service and that you would have had to pay for this service if they had not donated it.

- **Time:** If the volunteer provides services over a number of days and hours, it is best to submit a time sheet which lists the date and time and activity. That time sheet must be signed by the volunteer and a representative of the organization, certifying the time donated, the value of that time, and the type of service provided.
- **Value:** An invoice for the services provided is always an excellent form of documentation. When this is not possible, you will need to prove how you determined the value. If there is a standard hourly rate for such services, it is much easier although you will still need to document how you determined that rate. Options for documenting the value of a professional service include a copy of a classified advertisement for the same type of service, a price list from an employment agency, a copy of a wage survey

which encompasses the professional service, a copy of their current pay stub, etc. If you cannot find a way to document the value of their time, you should value it at the rate of the non-volunteer service instead.

Note: We have now identified a website that you can use as a “third party source” in determining the value of professional services that may be donated to your Smart Start-funded project. Given that it is often awkward to get “official documentation” of the value of such a person’s time, you may find this much easier. Simply go to www.salary.com. You can choose from a range of jobs. Select the job and then enter the zip code of the area in which the volunteer is working. The site will provide you with the salary range information for that job in that area. Print out the information and attach it as documentation of the value you are reporting for that volunteer’s time.

F. COST ALLOCATION PLANS

If you use a method or formula for the calculation of all related expenses in an office as part of an agency’s cost allocation plan, this amount can be considered an allowable in-kind contribution. In order to “count” this overhead or cost allocation expense, the following documentation should be provided:

- Letter from the agency which documents the plan and the specific contribution
- Copy of the cost allocation plan
- Confirmation that these expenses are funded from non-state sources
- Confirmation that these overhead or cost allocation expenses were NOT funded by Smart Start as part of your grant.

Example: If the local health department uses a percentage of overhead expenses or an amount pre-determined for a full-time-equivalent staff member (FTE) for overhead expenses, this can be a rationale for classifying the funds as a contribution. There just needs to be a valid explanation and documentation of these costs and how the amount was determined that they are listing as a contribution. If the agency handles all of their funding sources in this manner and generally charges all funding sources on this allocation plan, this will be adequate justification for “counting” the contribution.

G. DISCOUNTS

Is a discount really a discount or is it just a sales incentive? Some of you have listed as contributions the 10% discount you receive on such items as office supplies, furniture, equipment, etc. **But**, if the vendor provides the discount to most of its customers, the discount does NOT count as an in-kind contribution. A discount needs to be shown as a special contribution to your organization that is above and beyond their usual business practices. Listed below is the information you need in order to “count” a discount.

- Invoice which itemizes what was purchased and what was donated or discounted.
- A signed statement – either a notation on the invoice or in a separate letter from the company – which states that the discount being provided on the purchase is a special discount being given on behalf of Smart Start (or the project name).

H. COPYING

In order to list copying costs as a donation, you should:

- Maintain a log of the number of copies, general purpose, and dates that copies were made.
- Document the value of the copies. An advertisement from Kinko's or some other copy place will suffice as to the documentation of the value of the copies.

Of particular importance, if you list an inordinately large number of copies, the auditors will probably want to see some type of work order for the project which lists the # of pages/package and the # of packages. As an example of this, the auditors noted in one partnership a contribution of 25,000 copies. They questioned such a large number of copies. If these copies were of a manual for a large group, this number of copies would be perfectly reasonable. Unfortunately, there was nothing in the files to indicate why so many copies had been made so the contribution did not count.

Note: Reporting the exact same amount of copies every quarter is a pretty big clue that there is no documentation to back up the number of copies being made. How often would you possibly make the exact same number of copies each and every quarter?

I. COMPUTERS, OFFICE EQUIPMENT, ETC.

When listing the contribution of such items, either a copy of the receipt must be included to show the value or a copy of a manufacturer's price list should be submitted. It's also helpful to include a letter signed by the donor that outlines the contribution.

- **Donations of new items** - Obtaining the documentation on the value of new items is much easier than used ones. If the donor has a receipt, the receipt can serve as documentation of the value. If a receipt isn't available, get a price list from a business that sells those items or clip an advertisement from a sale page showing the item and the price. That will suffice in documenting the value of it.
- **Donations of old/used items** – It is much tougher to document the value of used items of equipment. For such items, you may want to look through the Classified Ads in your Sunday paper for an advertisement of someone selling such an item. Clip the ad and you've got your documentation of the value. Retail stores that sell used items may also be willing to give you a price list. Another suggestion is to go to a used furniture store and get a price list from them as to what they typically sell such items for in their business. You must have something that shows that you didn't pull the value out of thin air - something that shows someone is actually selling or buying a similar item for the amount you report.

J. USED CLOTHING AND TOYS

You may find that documenting the value of used clothing and toys falls into the category of too much work for too little gain. If you do receive this type of donation though and are eager to report some type of in-kind donation, you should provide the following documentation in order to count it towards the match.

- List of items donated.
- Price list of the value of such items – It's difficult to determine the value of such items. It is suggested that you get a price list from a Good Will or Salvation Army store and use this as the standard documentation as to the value you place on any items of this type. You'll be able to use this price list over and over again.

K. PHONES

If you are not receiving reimbursement for phone charges for your Smart Start project, this is another contribution that could potentially be counted. It may be troublesome to document though. If you report the phone charges as an in-kind contribution, you will need copies of one of the following:

- Copy of phone bill reflecting charges (If you are only listing the monthly service charge, a copy of one month's bill is all that will be needed as this charge does not change. If you are reporting long distance phone calls as well, a copy of each monthly bill reflecting the charges will be required.
- Accounting records – If your accounting system is set up to reflect expenses to specific projects, a printout from your accounting system would also suffice.

L. UTILITIES

If you are not receiving reimbursement for utility costs for your Smart Start project, this is another contribution that could potentially be counted. It may also be difficult to document. If you are reporting the utility costs as an in-kind contribution, you will need copies of one of the following:

- Copy of the utility bill reflecting charges
- Accounting records – If your accounting system is set up to reflect expenses to specific projects, a printout from your accounting system would also suffice.

Note: If you are recording rent as an in-kind contribution, utility costs are often included as part of the square footage price on office space. Make sure you're not double reporting in that case. In addition, such expenses are often included as part of a cost allocation plan. If you are reporting an overhead expense then you would again be double reporting if you listed them separately.

M. OFFICE SUPPLIES

If you are not receiving reimbursement for office supplies in your project budget and they are

being used to support the project, this would also be considered an in-kind contribution. The problem with this may lie in obtaining a value on these supplies. The best way to handle this would be to obtain a copy of an invoice that reflects the supplies being purchased on behalf of the project. The alternative would be a log sheet of supplies used along with the price list. That's a lot of trouble. An invoice would be simpler and cleaner if you plan to report this as an in-kind contribution.

N. FOOD

To list food as a contribution for meetings or programs, you will need to substantiate the cost, the time, and the need.

- **Cost:** Attach receipts for all food items purchased as part of the contribution. If catered, provide invoice from the caterer. An estimate by the donor will NOT suffice as adequate documentation. You must show the actual cost through receipts or an invoice. Do not include sales tax as part of the contribution.
- **Time/Need:** This is particularly important when you list food as a contribution for a meeting. The auditors want to know why the food was necessary. Was the meeting held around the time of a meal? What was the purpose of the meeting that required them to be there at mealtime to eat the food? If minutes were taken for a meeting, these minutes should include the beginning/ending time of the meeting, location, the names/number of persons in attendance, and purpose. This should be part of your documentation of the contribution.

O. MEETING SPACE

You can only list the contribution of meeting space in a few instances. Basically, if the organization providing the meeting space does not charge anyone else for the use of the space for meetings, it will not count as a contribution. Therefore, meeting space provided by local agencies, churches, schools, etc. CANNOT be listed as a contribution. If you do list it as a contribution, you will need to back up your assertion that the space is typically rented out for meetings. An invoice from the contributing company with the amount charged for room rental, date and time is the best documentation.

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