**TSC ALLIANCE
DIRECT BENEFITS TO DONORS & IN-KIND CONTRIBUTIONS POLICY**

*Original Policy Approved by Finance Committee: November 17, 2009*

*Amended Policy Approved by Finance Committee: February 25, 2010
Original Policy Approved by Executive Committee: November 18, 2009
Amended Policy Approved by Finance and Executive Committee: February 25, 2010*

**DIRECT BENEFITS TO DONORS**

When a donor registers for an event and receives a direct benefit (such as a dinner, gift, etc), the registration revenue (ie: ticket price) is recorded for the gross amount of funds received from the donor. All payments made by the TSC Alliance for the direct benefits are recorded to Direct Benefit to Donor (DBD) contra revenue accounts. These are the 6000 series of general ledger accounts in the TSC Alliance’s Chart of Accounts.

*Example:* The cost of admission to a Comedy for A Cure event is $250. The cost of the meal for the event is $50, there are no other DBDs.

*Entry when the cost of the meal is paid to the vendor:*

Direct Benefit to Donors $50
(6000 series G/L expense a/c)

Cash $50

*When tickets to the event are sold:*

Cash $250

Special Event Revenue $250

*SOA Presentation:*

Special Events Revenue $250

Direct Benefit to Donors <50>

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Net Special Events Revenue $200

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*Examples of Direct Benefit to Donor items:*

1. For a Gala: Food, Alcohol, Cost of Venue, Orchestra & Decorations, etc.

2. For a Walk-a-thon: Refreshments, T-Shirts, Duffle Bags, etc.

3. For a Raffle: – the item raffled

4. Consigned Auction Items: cost of items purchased on consignment.

The cost of printing and mailing a ticket to an event is a fundraising expense.

**DONATED GOODS AND SERVICES: FOR ACCOUNTING PURPOSES**

**Donated Goods:** Donated goods used to put on special events are recognized as revenue and included in the direct benefit to donors or fundraising expenses at the fair value of the goods received depending on the nature and use of the donated item (i.e., donated alcohol would be considered a direct benefit to donor).

Donated goods used for operations in excess of the TSC Alliance capitalization policy (currently $1,000) would be recorded as an asset and depreciated over the useful life of the asset if its useful life is more than one year.

*Donated auction items that are auctioned in the same year they are donated are recorded as revenue at the time of sale at the auction for the amount of cash received from the auction.* They are NOT recorded as inventory at the time they are donated, only as revenue when they are sold at auction.

Donated auction items “**of value**” over than $5000 (such as valuable paintings – an appraisal may be necessary) that have not been auctioned at the end of the accounting year are accrued, as inventory, at their estimated fair value at year end. These items would then be adjusted in contributions for the cash received when auctioned. As of the date of this policy, the TSC Alliance does not have any such items. Before these items are accrued into inventory, they should be reviewed by the Finance Committee.

Raffle items donated are recorded at the fair market value and the revenue recognized is the FMV of the raffle item plus the ticket revenue. The expenses of the raffle items are recorded as the direct benefit to donor at the same FMV of the donated item.

**Reporting:** The In-Kind Donation form should be completed and sent to Controller’s office for recording in the general ledger.

**Donated Services:** If services are donated (such as legal or accounting fees), the In-Kind Revenue and InKind Expenses are recognized only if the services:

1. create or enhance nonfinancial assets.

2. require specialized skills and are performed by people with those skills.

3. would have otherwise been purchased if not donated.

*The value assigned to the services donated will be the fair value of the activities performed.* Discounts received on fees paid vs. those originally billed, due to negotiation of the fees, are not recorded as donated services assuming the discounted price doesn’t fall significantly below market value. Any negotiated discounts thought to be donated services should be reviewed by the Finance Committee before recorded as such.

**FOR TAX PURPOSES: FOR FORM 990**

*The IRS does not recognize donated services as revenue or expense items.* As such they are included as reconciling items from book to tax revenue and expense figures on the return.

The IRS does recognize donated goods.

**Special Events Revenue:** The TSC Alliance reports contributions received through special events that are over and above the amount considered to be the “quid pro quo contribution”, as contributions on Line 1c of Part VIII of the Form 990. The quid pro quo amounts are reported as earned revenue from special events on Line 8a of Part VIII of the 990.

The amount of a contribution considered to be a “quid quo pro contribution” is the FMV of the Direct Benefit to the Donor and represents those items returned to the donor when attending an event as an inducement to attend or participate. As stated above, the amount of the “quid pro quo contribution” is reported as “earned revenue”. Examples of quid pro quo contributions are the FMV of the Direct Benefit to Donors examples listed above, except when the FMV of the inducements are considered to be inconsequential, as they are for most, if not all, of the TSC Alliance’s Walk-at-thons.

**Contributions Received from Walk-a-thons**: When there is no fee associated with a TSC ALLIANCE Walk-a-thon and the FMV of inducements given are considered to be inconsequential (see applicable IRS definition), all funds donated by Walk-a-thon donors are reported as contributions on Line 1c of Part VIII of the Form 990. However, the cost of the inducements and other direct benefits to those donors are reported as direct costs of the special event on Line 8b of Part VIII of Form 990, to arrive at a net income/ from Special Events. In this example the Walk-a-thon would have a net earned loss.

**Revenue Received from Donated Auction Items:** 100% of the proceeds received through the sale of contributed auction items are reported as contributions on Line 1c of Part VIII of the 990. This is consistent with the instructions for Form 990 Schedule G, Page 2, Part II, Line 2, which specifically states to “include the value of noncash contributions” in the total amount of contributions being reported. As such both the contribution of the donated auction item and any revenue received above the FMV of the item, if any, are both recognized as donations. This methodology is also supported in the AICPA Auditing Guide – NPO 5.56 and the “Black Book.”

**Revenue from Donated Raffle Items:** Donated raffle items are not included in the contribution portion.