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Gifts-in-Kind

Acceptance, Valuation, Presentation, Disclosure & Reporting

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Learning objectives

What you'll be able to do after this session.

1. Define a gift-in-kind, distinguish common gifts-in-kind, and address gift acceptance and policy considerations
2. Apply an appropriate valuation framework to contributed noncash items and recognized contributed services
3. Understand financial statement presentation and footnote disclosure for contributed nonfinancial assets
4. Understand tax reporting and Form 990 reporting

OBJECTIVE 1

What counts as a gift-in-kind — and should you take it?

01

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What is a gift-in-kind (GIK)?

A noncash contribution — value received without giving cash.

COMMON TYPES UNDER ASC 958-605

- Securities *excluded under ASU 2020-07
- Land, buildings, equipment & furniture
- Materials, supplies & food
- Clothing & household items
- Donated auction / raffle items
- Artwork & collectibles
- Donated facilities and utilities
- Intangibles (IP, digital assets)
- Contributed services

What is NOT a gift-in-kind

- Below-market / bargain purchases — only the discount element may be a contribution
- Pass-through / agency transactions
- Conditional promises to give
- Contributed services that fail the recognition criteria

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Contributed services: the recognition gate

Only certain donated services get recorded.

- Recognize if services (a) create or enhance a nonfinancial asset, OR
- (b) require specialized skills, are provided by someone who has them, and would typically be purchased if not donated
- Everything else (e.g., general volunteer hours) is not recognized — but may still be disclosed

THE "SOME" TEST

S Specialized skills

O Otherwise purchased

M Measurable

E Employed by a qualified individual

The gift acceptance policy

Your first internal control - Governance starts before the journal entry.

- Why have one:
  - Avoid gifts that harm the organization (the "Trojan horse"),
  - Speed decisions
  - Help staff decline unsuitable gifts tactfully
- A written, board-adopted policy should set:
  - Acceptable and unacceptable gift types
  - The organization's role in administering gifts and permitted donor restrictions
  - Donor responsibilities for valuation
  - Who can accept, decline, or escalate a gift

Before you accept: factors & red flags

Not every gift is worth taking.

Screening questions

- Will it cost money to own?
- Will it cost money to sell?
- Will it consume staff / volunteer time or require advisors?
- Will it create liability?
- What is its marketability and cash flow?

Higher-risk assets

- Non-publicly-traded securities
- Real estate
- Closely held businesses
- Tangible personal property
- Life insurance

Red flags

- Donor wants organization to hold/use the asset for a set period
- Restriction inconsistent with mission or too narrow
- Donor asks organization to cover their costs
- Donor wants ongoing oversight
- Business conflicts with mission; unalterable naming rights

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Does your organization (or your client) have a gift acceptance policy?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Which of these does your organization recognize as revenue?

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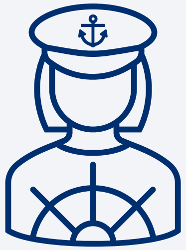
Land Conservancy: distinguish the gifts & apply the policy

THE SCENARIO

Your organization is offered two non-cash contributions:

1. A parcel of undeveloped land restricted to be held permanently as a nature preserve
2. A donated boat



DISCUSS

- Apply the acceptance-policy lens:
  - Cost to own — taxes, insurance, stewardship
  - Is the restriction too narrow?
  - Is there any liability exposure?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: A not-for-profit normally pays a groundskeeper $10/hour to trim hedges and do routine exterior maintenance. This year, the owner's nephew does the same work at no charge. Should you recognize the service?

OBJECTIVE 2

Recogntion and Valuation: recognize first, then value.

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The Recognition Gate

Answer “should we record it?” before “how to value?”

GIK offered

A contribution is offered to the organization

Is it recognizable?

Services test · items with no value · passed-through items · collection-item exception

Measure at fair value

At the date of the gift, if recognizable

Proceed to valuation

Apply the asset-class method

The Recognition Gate – Cont.

Services	• Only recognize if donated service passes the S.O.M.E. test • All other donated services are not recognized
Items with no value	• Donated Item doesn't possess future economic benefit • Donated Item lacks service potential
Pass through items	• Organization acting as agent/intermediary • Item held before moving onto ultimate beneficiary
Collection items	• Collections capitalized = recognize • Collection not capitalized = don't recognize

Note: *Donated artwork held for auction/fundraising purposes – recognize GIK at point of receipt, adjust later after item is transferred to final recipient.*

Fair Value Discipline (ASC 820)

Four pillars of a defensible fair value.

01

Unit of account & highest-and-best-use

Define what is being measured and its optimal use

02

Principal (or most advantageous) market

Identify the market the organization would transact in

03

Exit price

Measure the price to sell, not to acquire

04

Observable, market based inputs

Adjust pricing for item quantity, quality, restrictions, and market access

Note: *Organizations should independently assess donor appraisals or published value sources rather than accept them at face value.*

Evaluating a Price Source

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What makes valuation evidence strong.

- Timely
- Based on actual transactions
- For identical or similar items
- In an active market
- Not distress or under a forced sale scenario
- Between unrelated, knowledgeable parties

Valuation by Asset Class

Match the method to the asset.

Asset type	Valuation source / support
Auction & raffle items	Value at auction sale; comparable completed sales if held at year-end
Gift cards	Generally valued like cash (face value)
Clothing & household goods	Thrift-store pricing; donation valuation guides
Food & commodities	USDA data; food-bank product valuation studies
Artwork, jewelry, antiques	Qualified appraisal; comparable / retail sales
Land, buildings, vehicles	Appraisals; vehicle guides; market-specific evidence
Securities & digital assets	Quoted / market price at date of gift

Valuing Contributed Services & Use of Facilities

Value what you would otherwise have paid — and watch the terms.

Contributed Services

- Valued based on what the organization would have had to pay for the same service
- Use normal billing rates, prior purchase history, or other market-based rates for similar services.

Contributed Use of Facilities

- Valued at the fair rental value of the space over the period the organization is allowed to use it.
- Use market rent rates

Conditional or Unconditional?

Fixed term or month to month?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Your NFP receives 500 donated winter coats. How would you value them?

CASE STUDY #3

Human Services Gala: recognizing & valuing donated services

At its annual gala, a human services nonprofit receives four donated items and services.

THE SCENARIO

- Catering donated by a local restaurant
- A professional auctioneer who donates their time to run the live auction
- Event photography donated by a professional photographer
- Floral arrangements and décor donated by a local florist

DISCUSS

- Which meet the recognition criteria?
- How would you determine the fair value for each?
- How do you determine the value of the ticket: identifying contribution piece

OBJECTIVE 3

03

Financial Statement Presentation and Disclosure

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ASU 2020-07: Presentation Requirement

Put contributed nonfinancial assets on their own line.

- Present contributed nonfinancial assets as a SEPARATE line item in the statement of activities, apart from contributions of cash and other financial assets

WHY IT EXISTS · SCOPE · EFFECTIVE DATE

- Exists to improve transparency & comparability
- Scope: contributed nonfinancial assets (excludes contributed cash / financial assets)
- Effective for annual periods beginning after June 15, 2021 — applied retrospectively

Statement of Activities Presentation

Record at fair value on the date received.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributed revenue:			
Contributions	$ 1,572,159	$ 645,123	$ 2,217,282
Events	186,235	-	186,235
Grants	397,500	200,000	597,500
Contributions of nonfinancial assets	1,325,647	17,000	1,342,647
Total contributed revenue	3,481,541	862,123	4,343,664
Earned revenue:			
Registration fees	4,152	-	4,152
Program services income	75,872	-	75,872
Other income	1,249	-	1,249
Total earned revenue	81,273	-	81,273
Gain (loss) on disposal of asset	8,972	-	8,972
Net assets released from restrictions	261,037	(261,037)	-
Total revenues	3,832,823	601,086	4,433,909

ASU 2020-07: Disclosure Requirements

Disaggregate by category, then disclose for each.

- Disaggregate contributed nonfinancial assets by category (building, food, supplies, services, securities)
- Whether assets were monetized or utilized — if utilized, the programs / activities they were used in
- The organization's policy (if any) on monetizing rather than utilizing
- Any donor-imposed restrictions
- The valuation technique and inputs used (per ASC 820)
- The principal (or most advantageous) market, if the donor prohibits selling/using in that market

Contributed Services Disclosure

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Recognized

- Describe the programs or activities for which the services were used
- Describe the nature and extent of the services received
- Disclose the amount recognized as revenue for the period

Not Recognized

- Disclose the nature and extent of those services
- Optional: fair value of contributed services received but not recognized

CASE STUDY #4

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Not-for-Profit: Presentation & Disclosure

A NFP organization operates a community pantry and household assistance program for low-income families.

THE SCENARIO

- A regional grocery store donated food with an estimated fair value of $80,000.
- A local retailer donated clothing and household items with an estimated fair value of $45,000.
- Of the total donated goods received, approximately $100,000 was distributed to clients before year-end and $25,000 remained on hand in inventory at year-end.
- A law firm provided pro-bono legal services with a fair value of $18,000 related to lease review, employment matters, and contract work.
- Community volunteers donated 600 hours sorting donated goods, stocking shelves, and helping distribute items to families. Management estimates the related services have a fair value of $12,000.
- None of the donated goods were subject to donor-imposed restrictions.

DISCUSS

- Determine which items are recognized
- Discuss the related disclosure requirements:
  - Category disaggregation
  - Utilized vs. monetized
  - Valuation technique (what might the organization use?)

CASE STUDY #4 – CONT.

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Not-for-Profit: Presentation & Disclosure

Note XX — Contributed Nonfinancial Assets

For the year ended December 31, 2025, contributed nonfinancial assets recognized in the statement of activities consisted of the following:

Food	$80,000
Clothing & Household Items	$45,000
Legal Services	$18,000
Total	**$143,000**

Contributed nonfinancial assets are recognized at fair value on the date of receipt. Unless otherwise noted, the Organization did not have donor-imposed restrictions associated with contributed nonfinancial assets.

Donated food, clothing, and household items were used in the Organization's programs, and donated legal services were used for lease review, employment matters, and contract work. The Organization's policy is to utilize contributed nonfinancial assets when suitable for use in its programs rather than to monetize them.

Donated food was valued using published food-bank product studies for similar items based on the nature and condition of the products received. Donated clothing and household items were valued using estimated values for similar items based on condition and relevant market data. Donated legal services were valued based on current rates for similar services provided by attorneys with comparable experience and expertise.

Of the donated food, clothing, and household items received during the year, approximately $100,000 was distributed to clients before year-end and approximately $25,000 remained in inventory at December 31, 2025.

Community volunteers also donated approximately 600 hours sorting donated goods, stocking shelves, and assisting with distributions to families. Management estimated the fair value of these services to be approximately $12,000; however, the services were not recognized because they did not meet the criteria for recognition under generally accepted accounting principles.

Statement of Cash Flows

Noncash gifts need special handling.

Common Questions:

- Why is the gift-in-kind revenue on the statement of activities, but I don't see it as cash coming in on the statement of cash flows?
- If we later sell the donated asset, does that show up on the cash flow statement?
- Would the proceeds from selling donated items be operating or investing?

		2025
Cash Flows From Operating Activities:		
Change in net assets	$	597,256
Adjustments to reconcile change in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation		94,000
(Addition) reduction in carrying amount of right-of-use assets - operating		(10,000)
Donated property and equipment provided (received)		(17,000)
Gain on disposal of asset		(8,972)
Change in:		
Accounts receivable		4,125
Accounts payable		(7,825)
Accrued liabilities		1,578
Operating lease liability		(9,872)
Net cash provided by (used in) operating activities		643,290

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Your organization receives donations of stock. It is your organization's policy to immediately sell stock donations and convert them to cash. What line do you record the contribution on the statement of activities?

OBJECTIVE 4

The tax return tells a different story than GAAP.

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GAAP vs. Form 990 differences

Expect a reconciliation.

- Key divergence: contributed services and facilities are NOT reported as contributions on the 990 — even when recognized under GAAP
- Measurement and timing can also differ between GAAP and the return

Form 990 core reporting

Where GIK shows up on the return.

- Part VIII, Line 1g — noncash contributions

Contributions, Gifts, Grants, and Other Similar Amounts				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a–1f	1g $				
	h	**Total.** Add lines 1a–1f					

- Part V, Line 7 — donor-acknowledgement / Form 8282 & 8283 questions

7		**Organizations that may receive deductible contributions under section 170(c).**			
	a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a		
	b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
	c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		
	d	If "Yes," indicate the number of Forms 8282 filed during the year — 7d			
	e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		
	f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		
	g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
	h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		

Schedule M

The noncash contributions schedule — and why intake quality matters.

- Required when noncash contributions exceed $25,000 **OR** the organization received art / historical treasures / qualified conservation contributions
- Reports noncash gifts by category, number of contributions or items, revenue reported, and method of determining value

Schedule M – cont.

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SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

Complete if the organizations answered "Yes" on Form 990, Part IV, line 29 or 30.
Attach to Form 990.
Go to *www.irs.gov/Form990* for instructions and the latest information.

OMB No. 1545-0047

2025

Open to Public Inspection

Name of the organization	**Employer identification number**

Part I **Types of Property**

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art—Works of art				
2	Art—Historical treasures . .				
3	Art—Fractional interests . .				
4	Books and publications . .				
5	Clothing and household goods				
6	Cars and other vehicles . .				
7	Boats and planes				
8	Intellectual property . . .				
9	Securities—Publicly traded .				

				Yes	No
30a	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 3 years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?	**30a**			
b	If "Yes," describe the arrangement in Part II.				
31	Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?	**31**			
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	**32a**			
b	If "Yes," describe in Part II.				
33	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.				

Schedule A & B

Public support and contributor detail.

- Schedule A: GIK counts as public support
  - TIP — contributed facilities received at no charge from a governmental unit can be reported as public support (Sch. A, Part II Line 3 / Part III Line 5)

Section A. Public Support

Calendar year (or fiscal year beginning in)	**(a)** 2021	**(b)** 2022	**(c)** 2023	**(d)** 2024	**(e)** 2025	**(f)** Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . .						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . .						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3 . . .						

- Schedule B: noncash contributors detail (not services or facilities)

Donor forms the organization touches

Operational control points to embed in your gift workflow.

- Form 8283 — responsibility of the donor under certain circumstances
- Form 8283, Part V — responsibility of the organization
    - Acknowledges receipt of the item (not agreement with the donor's value)
    - Affirms that if the organization sells the donated property within three years, the organization will file a Form 8282

Part V **Donee Acknowledgment**—See instructions.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282**, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

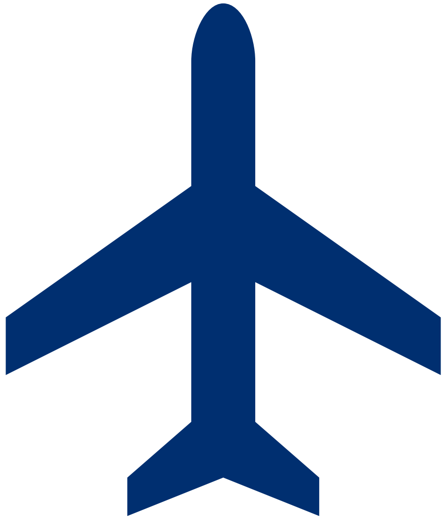
Does the organization intend to use the property for an unrelated use? . . . . ☐ **Yes** ☐ **No**

Name of charitable organization (donee)	**Employer identification number**	
Address (number, street, and room or suite no.)	City or town, state, and ZIP code	
Authorized signature	Title	Date

Donor forms the organization touches – cont.

Operational control points to embed in your gift workflow.

- Form 8282 — responsibility of the organization
  - File if donated property is sold or disposed within 3 years
  - File within 125 days
  - Copy to IRS and donor
  - Exceptions:
    - Items valued under $500
    - Items consumed or distributed for exempt purposes
    - Publicly traded securities
- Form 1098-C — responsibility of the organization
  - donated vehicles / boats / planes valued over $500



Acknowledgements: describe, don't value

The easiest place to create avoidable compliance risk.

- **Required elements of a written acknowledgement:**
  - Name of the organization
  - A description (NOT the value) of the noncash gift
  - A statement of whether any goods or services were provided in return
  - A good-faith estimate of the value of any goods/services the organization gave the donor
- Never state the fair market value of a noncash gift — valuing the gift is the donor's responsibility
- Never issue a FORMAL acknowledgement for donated services or facilities — a plain thank-you letter is fine (a formal letter could imply deductibility that doesn't exist)

TWO DOLLAR THRESHOLDS

$250+

Donor needs a contemporaneous written acknowledgement to substantiate the deduction

$75+ quid-pro-quo

Org must provide a written disclosure of the FMV of goods/services and the limited deductible amount

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: A donor gives your NFP a used vehicle you plan to sell within 90 days. Which is true?

CASE STUDY #5

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University — Donated Building

A university receives a donated building it will use for classrooms. Walk the full lifecycle.

ACKNOWLEDGEMENT & DOCUMENTATION

- Acknowledgement: describe the building received; do NOT state a value
- Donor documentation: the donor obtains a qualified appraisal and files Form 8283; the university signs Part V acknowledging receipt and, because the building is used for exempt purposes, indicates the use is NOT an unrelated use
- Form 8282: file only if the university disposes of the building within three years of receipt (no Form 1098-C — that form is for vehicles / boats / planes, not real estate)

REPORTING & GAAP TREATMENT

- GAAP Treatment:
  - recognize and capitalize the building as a contributed nonfinancial asset at fair value
  - present on the separate contributions-of-nonfinancial-assets line and include the ASU 2020-07 disclosures
- 990 Treatment:
  - Report on Form 990 Part VIII, line 1g
  - Schedule M: report under the real estate category, including the number of contributions and the method used to determine value (qualified appraisal)

Quick-hit special situations

A rapid tour of situations you'll actually encounter.

- **Special-event tickets:** split between a contribution and the FMV of goods/services received; provide the quid-pro-quo disclosure when the payment is over $75.
- **Sponsorships:** a qualified sponsorship payment (QSP) is treated as a contribution when the sponsor receives no substantial return benefit; using or acknowledging the sponsor's name/logo is fine, but qualitative/comparative advertising language or inducements to buy can create advertising income (potential UBI).
- **Donated use of property (partial interest):** a gift of less than the donor's entire interest (e.g., a week at a vacation home for an auction) is generally NOT deductible to the donor — issue a thank-you letter, not a formal acknowledgement.
- **Donated real estate / buildings:** the donor needs a qualified appraisal and Form 8283; the organization signs Part V acknowledging receipt and files Form 8282 if it disposes of the property within three years.
- **Vehicles:** Form 1098-C applies; the donor's deduction depends on whether the org sells the vehicle (limited to gross proceeds) or uses / materially improves it or transfers it to a needy individual (FMV).

Key takeaways

Build the process, not one-off heroics.

- Reinforce the gift acceptance policy as the first internal control
- Align development, finance, legal, and program teams on what to accept and decline
- Update systems to capture reporting and Schedule M data
- Maintain separate templates for formal acknowledgements vs. thank-you letters
- Train staff on high-risk gifts before they arrive
- Biggest avoidable errors: weak policy, unsupported valuation, incomplete disclosures, and acknowledgements that say too much

Resources

Where to go deeper.

- IRS Publication 561
- AICPA NFP Audit & Accounting Guide (contributions section)
- AICPA gifts-in-kind flowchart, disclosure checklist, and example disclosures AICPA CIMA Resources
- AICPA CPEA Presentation & Disclosure Examples
- ASU 2020-07

Thank you!

Don’t Forget To Check-Out Before You Leave!