

# VALUING IN-KIND CONTRIBUTIONS CHEAT SHEET



The financial landscape for Not-for-Profit (NFP) organisations continues to evolve, with in-kind contributions becoming an increasingly significant part of fundraising and financial management.

Here are some tips to boost your success with in-kind contributions and how to account for them.

## Understanding In-Kind Contributions

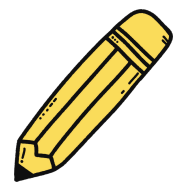


In-kind contributions are donations of goods or services rather than direct financial contributions. These can include professional services, materials, equipment, or volunteer labour that help an NFP reduce expenses or access resources they cannot afford.

*Here are some examples:*

- A graphic design firm providing pro bono branding and marketing materials.
- A car dealership donating a vehicle for community outreach programs.
- A law firm offering free legal consultations for an NFP's governance or compliance needs.

## Why In-Kind Contributions Matter



- **For NFPs:** They reduce operational costs and enhance project feasibility.
- **For donors:** Businesses can contribute valuable resources without directly affecting their cash flow.
- **For the community:** Encourages collaboration and helps NFPs maximise their impact.

Some contributions replace necessary expenses, while others provide additional value that the organisation might not have been able to afford.

## Steps to valuing and recording your in-kind contributions

### STEP 1 – Acknowledge receipt of in-kind contributions

- Provide a formal acknowledgment letter.
- Include:
  - Donor's name
  - Description of donated goods/services
  - Date received
  - Confirmation that no compensation was provided in return

## STEP 2 – Record donation data

Maintain accurate financial records using an accounting system or CRM.

Ensure compliance with AASB 1058 (Australian Accounting Standards Board) which requires NFPs to record assets at fair value. Your accountant can help with coding here.

*Sample donation record:*

Donor Name	Item/Service	Date Received	Fair Market Value
[Name]	[Description]	[Date]	[\$ Value]

## STEP 3 – Determine fair market value

- Donors should provide a valuation of their contribution.
- NFPs should research market rates for similar goods or services if the value is unclear.
- Australian tax regulations require donors to advise the recipient of the market value of their donations.

## STEP 4 – Accounting for in-kind contributions in Grant Applications and Acquittals

Documenting in-kind contributions in grant applications demonstrates transparency and financial accountability to potential funders. It also highlights a level of sophistication that grantmakers love!

When preparing your grant budget, follow these guidelines:

- Create and clearly label a dedicated 'Income In-Kind' category within your project budget to accurately capture the value of goods and services received.
- Present in-kind contributions clearly in your budget, for example:

In-Kind Contribution	Income	Expense
Event Posters (Design & Printing)	\$325	\$325
Professional photography services (event)	\$800	\$800
Venue hire donated for workshop	\$1,200	\$1,200
Catering provided by local restaurant	\$600	\$600

If a consultant offers services valued at \$5,000 but charges your organisation only \$2,000, your grant budget should detail:

- Income In-Kind: \$3,000 (the value of the donation)
- Consultants Expense: \$5,000 (the full market cost)
- Net Cost to the NFP: \$2,000 (actual payment required)

Including detailed, accurate in-kind contribution reporting can significantly enhance the strength and credibility of your grant application.

In-kind contributions cannot typically be audited in the traditional sense. However, these contributions may be formally acknowledged, confirming that the goods or services were received and appropriately utilised for the funded project.

## STEP 5 – Acknowledge donor impact

- Follow up with donors to express appreciation and highlight the impact of their contribution.
- Provide a simple reporting template for donors needing to document their gifts.
- Strengthen relationships for future in-kind support opportunities.



### Key Tips:

- Track and quantify all in-kind contributions.
- Ensure compliance with accounting requirements.
- Use in-kind contributions strategically in grant applications
- Say thanks and maintain strong donor relationships.

By implementing these best practices, NFPs can maximise the value of in-kind contributions, improve financial transparency, and build long-term partnerships that benefit their mission and supporters.



## HOW WE CAN HELP

We hope you find this cheat sheet helpful.

The Next Dimension Accounting team has extensive experience working with NFPs on grant applications and acquittals. Get in touch with us today to discuss your requirements.



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