

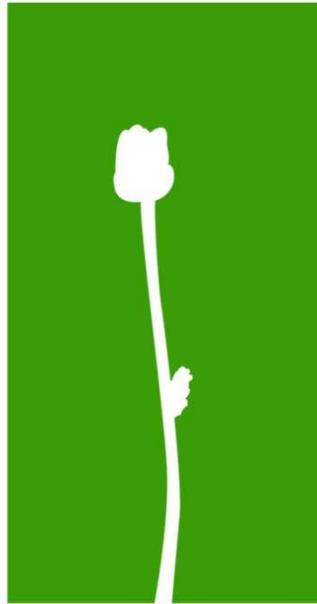


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C L U S T E R C O N F E R E N C E
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Documenting Cash and In-Kind Match

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WELCOME

- Clarification questions may be posed during session
- Further questions will also be taken at the end of the session (time permitting)
- There is a exercise towards the end

Session Objectives

1. Understand basic match requirements
2. Learn to record, value, and document match
3. Identify key documentation pitfalls related to match

Project Costs

The total allowable budget or expenditures incurred to operate the program and accomplish its objectives is divided into 2 sections:

- **Federal Share** - Portion of budget or expenditures paid for with Federal funds (CNCS)
- **Grantee Share aka: match** - Portion of total expenditures not paid for with CNCS funds

Federal and Grantee Share funds must be treated consistently

Examining “Overall Match” Requirement

§ 45 CFR 2521.60(a) – Regulatory Match:

- Grantees must meet minimum requirements as shown in table below up to 50% overall match
- \$1 dollar for every CNCS \$1 - by year 10

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Overall Minimum Share	24%	24%	24%	26%	30%	34%	38%	42%	46%	50%

Sources of Match

- **Cash Contributions :**
 - Contributions received by cash, check, electronic funds transfer, credit card, or payroll deduction.
- **In-Kind Contributions:**
 - Third party non-cash contributions
 - May be in the form of real property, equipment, supplies, services, and other expendable property

In Summary

- Allowable
- Reasonable
- Allocable
- Consistently Applied
- Verifiable from record

Allowable - What does it mean?

To be allowable under a grant, costs must:

- Be included in your approved budget in eGrants
- Be reasonable and allocable for the performance of the award
- Conform to grant award limitations or cost principles
- Be consistent with policies and procedures that apply to both federally-financed and other activities of the organization
- Be given consistent treatment within the entire organization
- Be in accordance with Generally Accepted Accounting Principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program
- Be adequately documented

Reasonable – What Does it mean?

A cost is reasonable if:

- It does not exceed what a prudent person would do under the circumstances at the time the decision was made to incur the cost
- Consideration should be given to:
 - Whether the cost is ordinary and necessary for the operations of the organization
 - The restraints or requirements imposed by generally accepted sound business practices
 - Whether the individuals concerned acted with prudence
 - Significant deviations from established practices which may unjustifiably increase the award costs

Allocable - What does it mean?

A cost is allocable to the grant:

- If it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - It is incurred specifically for the award
 - Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received or
 - Is necessary to the overall operation of the organization

Any cost allocable to a particular award may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

Consistent - What does it mean?

Grantees must be consistent in assigning costs:

- Whether a direct cost or an indirect cost
- Regardless of the source of funding, i.e., federally or non-federally sponsored activities, and
- Following written cost allocation plan, as applicable

Key wording in the cost principles:

- Consistent with that paid for similar work in the organization's other activities
- Distributed to awards and other activities in a consistent pattern
- The organization must follow a consistent, equitable procedure
- Charges must be consistent with those normally allowed in like circumstances in the organization's non-federally sponsored activities

Acceptable Match is . . .

Cash and in-kind contributions are accepted as part of the grantee's cost sharing or matching when contributions meet all of the following criteria:

- Are verifiable from the grantee's records
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
- Are allowable under the applicable OMB cost principles
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- Are provided for in the approved budget
- Conform to other grant provisions or OMB Circulars

Administrative Requirements

Maintaining Documentation

- To track incoming information
- To review information
- To provide historical evidence
- To provide evidence of accomplishments
- To prepare for an audit

Finding, Recording, Valuing & Documenting Match

Finding Match

Cash

- Donations
- Sale of goods/services
- Local governments
- State appropriations
- Foundation grants or corporate contributions
- Rental Income

In-Kind Contributions

- Donated services and/or goods
- ↓ ↓ ↓
- Labor ★ space ★ vehicles ★ training
★ supplies ★ equipment ★ services

Grantees cannot use other Federal funds as match unless approved by the other Federal agency

Exception: Volunteer Match



Do not count as match -

- The value of direct community services performed by volunteers



Do count as match -

- Services that contribute to organizational functions
- Count services such as accounting, legal, training of staff or members that are needed to administer the program

Recording In-Kind Contributions

- Maintain adequate documentation to support amounts claimed as match
- Maintain same documentation for both CNCS Federal share and for grantee's share
- Documentation must meet same standards as other expenditures within organization
- Record donation and valuation of item in detail
- Enter into the General Ledger as income and expenditure
 - Failure to enter match contributions into general ledger requires a formal explanatory policy and separate spread sheet accountability of receipt and use

Why Record In-Kind in the General Ledger?

Statement of Financial Accounting Standards (SFAS #116) sets the standard:

- Contributed services are recognized in financial statements if services received:
 - Create or enhance non-financial assets, or
 - Require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Recording In-Kind Contributions

Enter into the General Ledger as income and expenditure:

Example:

A local paint store donates a professional paint sprayer with a fair market value of \$550.00.

\$550.00 – 7250 In-Kind Expense Account (debit)

\$550.00 – 5250 In-Kind Income Account (credit)

Valuing In-Kind Contributions

- Use fair market price
- Consider what it would cost to obtain similar goods or services
- The donor must provide the value of the donation
- Review the donation letter or form to ensure the value is reasonable

The IRS defines **fair market value** as
the price that item would sell for on the open market

Documenting In-Kind Contributions

1. Document the basis for determining value of personal services, material, equipment, building, and land
2. Obtain written acknowledgement from the donor to include:
 - Name and signature of donor
 - Date and Location of donation
 - Detailed description of item or service
 - Estimated value of contribution, how value was determined, who made the determination
 - Whether the contribution was obtained with Federal funds

***** *Keep a copy of the donation form/receipt in your files* *****

Sample: In-Kind Contribution Form

See Handout

Organization's Logo Here
Non-profit Organization of My County
 P.O. Box 1234 • Any City, TX 76001 • (713) 879-2812

In-Kind Contribution Form

Contributor Information

Name of Business or Individual: _____
 Name of Primary Contact: _____
 Address: _____
 City: _____ State: _____ Zip Code: _____
 Telephone: _____ E-mail: _____

Contributed Goods or Services

Description of Contributed Goods or Services: _____

Date(s) Contributed: _____
 Real or Estimated Value of Contribution: \$ _____
 How was the value determined?: Actual Value Appraisal Other
 If other, please explain: _____
 Who Made this Value Determination?: _____

Is there a restriction on the use of this contribution?: No Yes
 If yes, what are the restrictions?: _____

Was this Contribution Obtained with or Supported by Federal funds?: No Yes
 If yes, please provide the name of the Federal agency and the grant or contract number: _____

Signature of Contributor

Date Contributed

Thank you for your support!!

Program/Accounting Use Only:

Person Receiving Goods or Services on Behalf of Any Non-Profit Organization of My County:

Printed Name _____ Position _____
 Signature _____ Date Received _____

Accounting Use Only:
 \$ Value Recorded _____ Date Entered _____ Account Number _____ Data Entry Person _____

Revisions to IRS Form 990 for Non-profits

- ❑ **Revised Form 990 must be used for reporting year in 2009**
- ❑ **NEW Schedule M, Non-Cash Contributions:**
 - Requires organizations to report the aggregate of \$25,000 of 24 specific categories of non-cash property an organization receives
 - May require organizations to implement new recordkeeping practices

See the revised Form 990: www.irs.gov/charities

Key Documentation Pitfalls Related to Match

Time & Attendance – Staff

Findings:

- Inadequate documentation to support salary expenses
- Staff allocating time to more than one grant were not keeping timesheets that show actual time spent on each grant
 - Lack of proper timekeeping systems
 - No timesheets or activity reports maintained or retained
 - No reconciliation between estimates and actual time
 - Non-compliance with OMB requirements
- Salaries and wages charged to the grant:
 - On the basis of budgeted amounts instead of actual after-the-fact time
 - Based on estimates
 - Unsigned or unapproved timesheets by employee or supervisor
 - Time not allocated among activities

Time & Attendance – Staff

Consequences:

- May disallow entire claim for salary for all staff over the course of the entire grant
- Unmet match requirement

Preventive Actions:

- Use timesheets that align with the payroll period that reports all activities of the employee, both on the grant and other projects
- Implement procedures whereby all timesheets are reviewed and approved by a supervisor before sent to payroll
- Reconcile budgeted salaries to actual time spent on the grant
- Know the regulatory and other requirements

Time & Attendance Summary

All salaries and wages charged to grants must be supported by signed time & attendance records, i.e., timesheets

Exceptions:

- State, Local and Indian Tribal Governments must comply with requirements of § 2 CFR 225 [OMB A-87]
- Educational Institutions must comply with requirements of § 2 CFR 220 [OMB A-21]

Exception 1:

State, Local, and Indian Tribal Governments

§ 2 CFR 225 (formerly A-87):

Budget estimates determined before services are performed do not qualify as support for expenditure, except on an interim accounting basis, provided that:

- The estimates produce reasonable approximation of the activity actually performed
- Quarterly comparison is performed of actual activity to budgeted estimates
- Budget estimates are revised at least quarterly to reflect changed circumstances

Exception 2: Educational Institutions

§ 2 CFR 220 (formerly A-21):

Salaries, wages, and fringe benefits are allowable to the extent that the total compensation to individual employees conforms to:

- The established policies of the institution *
- Consistently applied
- Provided that the charges for work performed directly on sponsored agreements and for other work allocable as facilities and administrative (F&A) costs are determined and supported as defined in § 2 CFR 220

*** Check with your Accounting Department for your college or university requirements**

Non-Profit Organizations

§ 2 CFR 230 (formerly A-122):

Reports maintained by non-profit organizations:

- Must reflect an after-the-fact determination of the employee actual activity (not budgeted)
- Must account for the total activity of each employee
- Must be signed by the employee or supervisor having first hand knowledge
- Must be prepared at least monthly and must coincide with one or more pay periods

See Handout

More Pitfalls Related to Match

Findings:

- Match requirement not met
- Inadequate documentation
- In-kind contributions not supported with after-the-fact documentation (promissory note is not acceptable)
- Other Federal agency funds used as match without authorization
- Expense was not necessary to operate grant
- Expense was unreasonable or excessive
- Expense was inadequately supported to determine if it was allowable and allocable
- Expenses not included in the approved budget
- Expenses incurred outside of the grant award period

More Pitfalls Related to Match

Consequences:

- May disallow match causing minimum match to not be met
- May disallow Federal funds if minimum match cannot be met
- May decide to audit all match or question all match if unable to confirm if match is reasonable or allocable

Preventive Actions:

- Ensure documentation is adequate for all match
- Review all match to ensure it is necessary and reasonable
- Followup on promises to provide in-kind and obtain documentation
- Obtain written approval from other Federal agency to its funds
- Request budget amendments to include new sources of match
- Determine if costs are allowable – ask questions, don't risk it!
- Know the regulatory and other match requirements
 - AmeriCorps** § 45 CFR 2521

Exercise

Match or Not?



Taking it Home!

1. Familiarize all staff with cash and in-kind match requirements
2. Establish and apply documentation practices to ensure costs are: allowable, reasonable, allocable, and are consistently applied
3. Ensure supporting documentation relates directly to approved program funded by the CNCS grant
4. Maintain proper records and establish a written record retention policy

Questions?

Evaluations

Wrap Up