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# Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

## Nonprofits must report donations of services

By Barry VanderKelen

Lawyers and accountants are frequently asked to donate their time and expertise to nonprofits. For many nonprofits, these donations are their only access to professional legal or financial advice.

How are these gifts to be recorded by the recipient organizations? Can the donor count the value of the services as a charitable gift?

To answer these questions, I spoke with Joe Schimandle, an accountant with the Arroyo Grande firm Schimandle and Cantrell.

Schimandle explained that the organization can choose to report the value of donated services as revenue on the organization's statement of activities so long as the expenses

associated with the services are also included.

"If the value is reported, then there must be an equal offset," he said. "Reporting only the revenue presents an inaccurate picture of the financial status of the organization."

The trend seems to be to report the value of donated services in a footnote in the annual audit.

When preparing the IRS Form 990, any donated services reported as revenue and expenses on the financial statements must be backed out and reported in a different format.

The financial statements are included in Part VIII and must not include the value of donated services.

Instead, the value of donated services is to be reported in Part III of the IRS Form 990, the

Statement of Program Service Accomplishments.

The value must be documented in writing before it can be counted. It is easiest if the donor sends a letter disclosing the value of the donation.

It is good to give appropriate recognition for donations of services even if the value is not included on the statement of activities.

"There is no income tax deduction for the individual or the firm," Schimandle said. The wages and expenses associated with the donation are simply costs absorbed by the individual or the firm.

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### Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

### Nonprofit Business Column of *The Tribune*

Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes a bi-weekly column to help strengthen nonprofit organizations in the community.

*The Tribune* publishes the column every other week in the Business section.

Each column is reprinted as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at [barry@slocfc.org](mailto:barry@slocfc.org).