

Area: Fiscal Systems

Subject: FS38 – Criteria for Allowability of In-kind Contributions

Reference: Head Start Act 640(b); 2 CFR Part 220; 2 CFR Part 225; 2 CFR Part 230; 45 CFR 74.23; 45 CFP 92.24; 45 CFR 1305

Policy: Factors determining allowability to expenditures are the same as for Federal expenditures and costs identified as In-kind. The costs must be reasonable, allocable, and necessary for the accomplishment of the project objectives and are allowable under the applicable cost principles. (2 CFR Part 220, 2 CFR Part 225, and 2 CFR Part 230.)

Procedure:

Background:

Non-Federal Share is the portion of the total costs of the program provided by the grantee agency in the form of in-kind or cash donations received from third parties or contributed by the agency. Non-Federal Share is a statutory requirement of the Head Start Act. As stated in the Act, the federal financial assistance shall not exceed 80% of the total costs of the Head Start program unless a waiver has been granted. Non-Federal share must meet the same criteria for allowability as other costs incurred and paid with Federal funds. Third part In-kind contributions shall count toward satisfying a cost-sharing or matching requirement only where, if the party receiving the contribution were to pay for them, they would be an allowable cost. To be allowable as in-kind, the source of the donation cannot be federally funded.

To meet the Non-Federal Share requirement, in-kind contributions are collected and documented. There are two different categories of in-kind contributions: cash contributions and “In-kind” donations. A cash contribution is the grantee’s cash outlay, which is generated by the grantee or donated by a third party, and is expended to fund allowable program costs. An “In-kind” donation is land, space, or a service or good that benefits a grant supported project or program and is contributed by Non-Federal third parties without charge to the grantee. In-kind contributions may consist of the value of real property and equipment and the value of goods and services directly benefiting the grant program and specifically identifiable to it. At no time can a parent be required to provide goods and/or services, as it can be defined as requiring a fee (45 CFR 1305.9).

Common Contributions:

Cash Contribution

Cash match counts toward the Non-Federal share requirement when *expended*, not when donated to or generated by the grantee.

Documentation required for donated Cash Contributions:

Completed Donated Goods and Services Form

Receipt (for purchase of allowable program costs)

*In-kind Donations*Land/Space

Appraisals are used to determine fair market value of real property. The appraisals provide the delegates and Grantee operated sites with the calculated amount of non-federal share which can be generated as land and space on a monthly basis per site. Land is valued at a “base” amount, based upon comparisons to similar properties in the area and is incrementally increased based on any valued added to the land. Space, or building usage, is valued based on comparisons of rental prices in the area. Space is not allowable if the building was purchased with any federal funds.

Documentation required for land/space:

Property Survey and Rental Analysis (current)

Volunteer Services

Professional and technical personnel, consultants, and other individuals, such as Head Start parents may furnish volunteer services. Each hour of volunteered service may be counted if the service is an integral and necessary part of the program. To count the time of a volunteer as match, the volunteer must be providing a service *to* and not receiving a service *from* the program. See 45 CFR 74.23 and 92.24 for procedures for valuing volunteer services.

For a volunteer’s time to be counted as In-kind:

- The services provided by the volunteer would have to otherwise be allowable costs that would be purchased from a consultant or other individual or provided by salaried personnel.
- The duties of the individual must be controlled by the agency,.
- The value of the service provided by the individual must be measurable and material.
- The value must be based upon the service provided by the individual. For example, a dentist who volunteers time to provide dental services to Head Start children should have time valued according to normal compensation for the service provided. If the dentist chooses to volunteer as a volunteer in a different capacity, such as working in the classroom, their service should be valued according to the agency’s current wage scale.
- The services must be something that the donor would have otherwise charged to provide.
- If the person is compensated through other agencies for the service, they cannot be paid with federal funds or other funds used to match other federal grants.

Volunteer time valuation should include fringe benefits. Refer to the current volunteer rate worksheet for the current volunteer rate to apply to classroom volunteer hours donated.

Consultants and other individuals may provide their services to a program at a reduced rate. The difference between this reduced rate and the amount normally charged by the individual may be used as In-kind and is referred to as the “Pay Rate Differential.”

The value of donated employee time can be used only when the employee's time is given freely. Donated employee time can be used as In-kind only if the employee is not being compensated and the duties are outside the scope of their regular duties.

Documentation required for donated services from classroom volunteers:

Completed Classroom Volunteer Form

Documentation required for donated services from other volunteer services:

Completed Donated Goods and Services Form

Time spent by governing bodies such as the Board of Directors and Policy Councils may be used as In-kind for time spent in their decision-making capacity related to the Head Start program. The value that is applied to these services is based on the Head of the organization such as the District Superintendent or the Executive Director of the Division salary plus fringe and health benefits minus any stipends paid out if used for Board of Directors. Policy Council or Policy Committee rates utilize the salary and fringe benefit rate of the person identified as the Head Start Director.

Documentation required for donated services from governing bodies:

Completed Donated Goods and Services Form, sign-in sheets, and meeting minutes

Donated Goods

Third-party donated goods should be valued at their current fair market value as determined by the agency. Donations of supplies to be used as gifts, prizes and awards are not allowable. (45 CFR 74.23 and 92.24)

Documentation required for donated goods:

Completed Donated Goods and Services Form

State Collaboration Contribution

Delegate agencies and grantee operated sites that have a state collaboration with Head Start funds (e.g. blended or enhanced Programs) can claim the state portion of the collaboration as In-kind. However, this state portion can only be claimed as In-kind as it is expensed and when the source of state funds is not federal or used to match another federal grant. When state expenses for delegate agencies or grantee operated sites are totaled for the month, the delegate agency or grantee operated site can claim that amount as In-kind in the corresponding month.

Please note: Delegate agencies and grantee operated sites can only claim what has actually been expended in the state portion of the collaboration up to their total contracted amount. If the delegate's state contract is with SCOE, SCOE can claim additional In-kind on the delegate's state collaboration expenses. This is due to the grantee receiving a higher contracted daily rate from the State. The additional In-kind can be calculated as follows: take the state expenditure for the delegate agency or Grantee operated site for the month and divide it by the contracted delegate agency or grantee operated daily rate. This will determine the CDE (child days of enrollment). Then take the CDE and multiply it by the difference between the daily rate given by the state to the grantee and the contracted daily rate given to the delegate agency or Grantee

operated site. The grantee can then claim that difference as In-kind.

Example:

Delegate Agency's April State Portion Expenditure: \$50,000

Delegate Agency's Contracted Daily Rate: \$28.00

Grantee's State Daily Rate: \$30.00

Delegate Agency's April In-kind Calculation = \$50,000

Grantee's Additional April In-kind Calculation:

$\$50,000 / \$28.00 = 1,785.72$ (CDE)

1785.71 (CDE) * $(\$30.00 - \$28.00) = \$3,571.42$ (Additional In-kind)

Documentation required for state collaboration contribution:

Delegate state expenditure monthly claim

Grantee operated state monthly status report

Supervised by: CFS Fiscal Director

Performed by: SCOE and Delegate Staff

Forms needed: Classroom Volunteer Form
Donated Goods and Services Form
Property Survey/Rental Analysis Report
State claim or status reports

Frequency: As necessary