

Overview for Donations Reporting

Recording income from donations

You need to record the name and the address of each donor. The IRS uses the address to distinguish between people with the same name, and sometimes you will need it to mail your donor their receipt.

We recommend that you give receipts to your all of your donors. For tax purposes donors must have receipts for donations valued at \$250 or more. The donation receipts need to indicate that the donor did not receive any goods or services in return for their donation or you need to include an estimate of the value or the goods or services the donor received. That part of the value will not be deductible for them.

You'll find some sample receipts in our documents or you can make your own if you prefer. Just be sure that it has all of the information we include in our samples. "Cash Donations" are the most common kind of donation for our projects. Be sure to write down the check number or put "CC" for credit card charges. "Non Cash Donations" are anything that is not money. You'll need to describe those donations ("100 shares of IBM stock" or "Building and land located at 3678 Pine St., Hollywood, CA, 93410" or "2 carat diamond pendant").

Always number your donation receipts. Make two copies so you can give one copy to the donor and keep one for your records. You'll find examples of both "Cash" and "Non Cash" Donations below to use in setting up your accounts for each category of income.

PLEASE NOTE: There are three cases where you need to communicate with us related to donations you may receive.

1. Copies of your receipts for donations of \$250 to \$1,000 must be sent to us within 30 days. If you regularly receive such donations you should mail us copies of your receipts once a month, on a regular date, to make it easy to remember. If you occasionally receive such donations it may be easier for you to send us a copy as soon as you write the receipt.
2. Receipts for any donation valued over \$1,000 must be sent to your donors by our Treasurer. Send us the donation check (or the itemized list for a non cash donation) together with your donor's name, address, phone number and email address. We will verify the donation, make the deposit to your account, and send both you and your donor a copy of the receipt. Large donors will often require this procedure. We do not charge you any fee to handle this accounting for your project.
3. Non Cash donations (boat, shares of stocks, house) valued at \$5,000 or more must receive prior approval from the Board. Send us an email describing what will be donated and what you intend to do with the donation (sell it now, sell it later, keep it to use for your project). Sometimes people donate things that can cost us money rather than contribute to your project so we need to approve these before you receive the donation.

Recording Cash Donations

Cash Donations are direct monetary contributions. They can be made by cash or check or even credit cards. They are not stocks or bonds or other financial holdings that need conversion to become cash. Those are “non cash” donations. Cash donations should be recorded in your ledger under “Cash Donations”.

Example: Income Ledger – Cash Donations

Date	Donor	Amount	Kind	Receipt #
10/02/08	Jimmy Jones 123 ABC Road, Jimtown, CA 95123	\$75	Ck 447	#34
1/24/09	Cindy Creek 67 QYZ Ave., Apt. B, Creekside, OH 44882	\$5,000	CC	#35

Notes: Sent request for donation receipt to the Board on 1/24/09

2/28/09 Bob Bobble \$15 cash

Having a place where you can write a memo or note in your ledger makes it easy for you to record any details worth remembering about a donation. Notice in the second example that the notes say “Sent request for donation receipt to the Board 1/24/09”. Any receipt for a donation worth \$1,000 or more must be sent from our Treasurer. You’ll find an email form in our documents to make that request. It just takes a minute to fill out and then email it to us.

The last example is missing the address for the donor and doesn’t have a receipt number. That’s OK because the donation was an amount under \$250. Even if the \$15 donation was by check or credit card it would be fine. It’s still a good idea to give everyone a receipt and to get everyone’s address but don’t worry if you don’t always do that for donations under \$250.

Recording Non Cash Donations

Non Cash donations are not cash or checks or credit card charges. They are things of value such as stocks, real estate, art, or vehicles. Anything you can sell for cash can qualify as a “non cash donation”. You do not have to sell a non cash donation; you may decide to use the thing for your project. Office furniture donated to your project can be used in your project’s office. A vehicle that is donated can be used for your project.

PLEASE NOTE: **Donations of vehicles** require additional reporting to the IRS. Go to [ww.irs.gov](http://www.irs.gov) and enter “vehicle donation” in their search box. You will find instructions and the donation form. Be sure to use the form for the current year.

Unfortunately, for tax purposes, **labor that is donated cannot qualify** either as a cash donation or a non cash donation. A carpenter that helps build a children’s playground for your project cannot deduct her/his hourly rate as a donation. You can pay the carpenter for

the work and if she/he makes a donation of money to your project that would be a valid donation.

You must determine the "fair market value" every non cash donation. For donations of stocks, find the value of that stock on the stock exchange for the day it was received. You can do that on the internet or call a brokerage firm if you have trouble finding the stock's value for that date.

Other than donations of stock, if the non cash donation is worth less than \$250 you can accept the donor's estimate of the value, or estimate it yourself. The best way to determine the fair market value of a thing is to sell it and use the sales price as the stated value you put on the receipt to the donor. The IRS prefers this method. If you are not planning to sell the item soon then you need to determine what a comparable item sells for right now in your area of the country. For example, if Joe Smith donates a property with a house and you do not plan to sell it soon, you should approach a real estate firm or an appraisal company to determine a reasonable estimate of its value. For any goods donated that you may not be able to sell quickly, always get a written estimate of value by someone knowledgeable. Many store owners will do this free of charge for non profits. Keep the written estimate as a record along with your copy of the donation receipt.

Example: Income Ledger – Non Cash Donations

<u>Date</u>	<u>Donor</u>	<u>Value</u>	<u>Description</u>	<u>Receipt #</u>
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1/22/07	Jerry Garcia 629 Grateful Dead Road, Onetoke, CA 92223	\$95,000	Art	#46
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Notes: 10 paintings; donation receipt request sent to Board 1/22/07; appraisal on file attached to Receipt #46; photos of paintings also attached to receipt; intention is to sell at fundraising auction on 2/14/08

1/24/07	Huey Lewis 78 News St., Music, NH 14382	\$17,000	Guitar	#47
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Notes: 1 guitar; donation receipt request sent to Board 1/22/07; appraisal on file attached to Receipt #47; intention is to sell at fundraising auction on 2/14/08

2/01/07	L. V. Beethoven 1812 Cantata Ln., Lyric, NJ 12210	\$150	Sheet Music	#48
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Notes: 1 unfinished symphony of uncertain authorship; appraisal attached to Receipt #48; intention is to sell at fundraising auction on 2/14/08

3/18/07	Sheryl Crow	\$221.84	Stock	
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Notes: 14 shares ABC stock; value per NYSE on date received; intention to hold until value increases and then sell

Notice the different notes made for non cash donations. You may want to give even more description for these items. The more you record in your files the safer you are in verifying things if they are questioned. You may do more than just record items in your ledger, like keeping a photo of the donated items, as in the first example. And it is good to note your intention of selling or holding the items. Notice that the last item has no receipt. It is valued under \$250 so the receipt is not required. However, as we've said previously, we recommend you always give receipts to all your donors.