

# Everything Nonprofit Leaders Need to Know About In-Kind Donations

6 min read



## Key Takeaways

- **What Are In-Kind Donations?:** In-kind donations include any type of non-cash contribution to a nonprofit including donations of goods, services, expertise, and time.
- **How In-Kind Gifts Can Benefit Your Nonprofit:** 5 Ways Kind Donations Can Further Your Nonprofit's Mission...
- **Watch Out for These Potential Challenges of Accepting In-Kind Gifts:** Although in-kind gifts can be a blessing to your nonprofit's mission, not all in-kind gifts are created equally. They won't all benefit your organization, and choosing to accept in-kind donations can present some challenges.

We'll cut to the chase: Many nonprofits simply avoid accepting in-kind donations because they can be seen as difficult to define, value, and track.

However, despite the somewhat messy nature of in-kind donations, they are a powerful source of revenue for nonprofits that, when well-managed, can be leveraged to strengthen almost every aspect of your organization.

While receiving cash donations is wonderful, in-kind donations can also go a long way to further your nonprofit's cause.

## What Are In-Kind Donations?

In-kind donations include any type of non-cash contribution to a nonprofit including donations of goods, services, expertise, and time. <sup>[1]</sup>

Examples of in-kind donations include articles of clothing to a free clothing closet, free advertising space, free graphic design services for an event, pro bono legal advice, or employee time donated from a local business.

Individuals, businesses, vendors, tradespeople, corporations, and individual professionals can all make in-kind donations to nonprofit organizations.

## How In-Kind Gifts Can Benefit Your Nonprofit

5 Ways Kind Donations Can Further Your Nonprofit's Mission:

### 1. Expand Your Support Network

If you only fundraise for and accept cash donations, you will limit your nonprofit's potential by limiting the potential giving capacity of your donors.

**Read More:** [Successful Fundraising for NonProfits - Advice from an expert](#)

Accepting in-kind gifts is a great way to expand your nonprofit's mission and reach by building its support network. While many individuals or businesses might not be able to

donate cash to your cause, they can help support you in several other ways by donating goods, services, expertise, or professional time.

## 2. Reduce Overhead Expenses

In-kind donations can also reduce your overhead expenses by offsetting operating costs.

If you receive an in-kind donation for things like advertising space, office supplies or equipment, legal advice, accounting services, or another cost that's essential to your nonprofit's operation, you'll reduce your overhead expenses. As a result, you can dedicate more of your cash donations to furthering your mission.

## 3. Additional Revenue Sources

Although in-kind donations don't look exactly like your other revenue sources, they do count as revenue, and they can help you offset the cost of your mission.



**Case Study:** Detailed project reporting has helped Wheelchairs For Warriors make decisions that further their mission. With clarity and insight into each program, leadership was able to successfully launch an in-kind donated wheelchair reallocation program. They can now help veterans not injured in the line of duty with wheelchairs that are donated.

[READ THE FULL STORY HERE](#)

## 4. Access to Items at Cost

If your nonprofit gathers back-to-school supplies like new pencils and socks for children in need, you might actually be able to help more children by requesting in-kind donations instead of cash donations.

For example, a pencil or sock retailer can donate items at cost. Compared to asking a donor to give money to purchase pencils and socks from the retailer, in-kind donations will result

in access to more pencils and socks. As a result, your nonprofit will be able to help more children in need.

## 5. Free Up Cash for Operating Costs

In-kind donations that are directly related to your mission (cans of food donated to a food bank) mean you need to spend a smaller portion of your cash donations on your services. This frees up cash that you can then put toward operating expenses like payroll and office rent.

## Watch Out for These Potential Challenges of Accepting In-Kind Gifts

Although in-kind gifts can be a blessing to your nonprofit's mission, not all in-kind gifts are created equally. They won't all benefit your organization, and choosing to accept in-kind donations can present some challenges.

### Not Every In-Kind Donation Is Good for Your Nonprofit

Although you might feel inclined to accept every donation that comes your way. Accepting every sort of in-kind donation offered to you might not always be in the best interest of your organization.

Donations that are not part of your existing strategy can actually put a strain on your nonprofit's resources. For example, what would a nonprofit serving child do with donations of adult-sized clothing? These types of in-kind donations not only present the issue of taking up time figuring out how best to use or distribute them, but they also take up physical storage space in your office.

Additionally, significant in-kind donations that might include vehicles or even real estate might be tempting to accept, but it's important to consider the cost of maintenance, upkeep, and taxes on these types of items. These costs can be significant, and your organization might not be able to afford them.

When you receive an offer for a donation that your nonprofit can't use or afford to accept, it's okay to politely decline. Be sure to thank the individual or business for thinking of your organization and provide them with a list of the kinds of donations you do accept for future reference.

## Potential Disputes Regarding the Nature and Purpose of a Gift

When it comes to accepting in-kind donations, it's important that you and your donor communicate clearly regarding the nature and purpose of the gift.

You don't want to risk potentially damaging good relationships by getting your wires crossed with misunderstandings around the number of service hours a professional intends to donate or the way they hope you put their donation to use.

To avoid misunderstandings with especially around significant in-kind donations, it's best to accept the donation with a gift agreement that's signed by both you and the donor. This agreement should:

- Describe the gift.
- Set start and end dates (if applicable).
- Outline the intended purpose.
- Disclose how your nonprofit will acknowledge the gift.

Your gift agreement should also explain that the gift might end up being used in a different way than originally intended due to unforeseen circumstances.

## In-Kind Donations Must Be Accurately Tracked

In the same way that you're required to record and track cash donations, nonprofits must also track and record the in-kind donations they receive. Base recorded values of in-kind donations on the retail value of donated goods, hourly rates for professional services, going rates for advertising space, etc.

**Read More:** [Nonprofit Bookkeeping Requirements You NEED To Know](#)

## **Make the Most of In-Kind Donations by Implementing a Gift Acceptance Policy**

To keep everything organized regarding in-kind donations while attracting the right types of in-kind donations for your organization and reducing the number of in-kind gift offers you must refuse, you can create a gift acceptance policy for your nonprofit.

A gift acceptance policy should disclose the types of gifts your organization can accept and those you cannot in addition to describing how your donors can expect to be acknowledged.

To start creating a gift acceptance policy for your nonprofit, consider the following questions:

- What kinds of gifts do you want to accept or which types of gifts will benefit your organization?
- Which types of gifts can you not accept?
- What types of donors will you accept gifts from?
- Are there any types of in-kind donations you will consider accepting only after receiving legal counsel and/or board approval?
- How will you recognize the in-kind gifts you receive?

Each nonprofit's gift acceptance policy will vary in length and specificity, depending on their mission, the size of the organization, and the organization's needs.

## **Start Accepting, Valuing, and Tracking In-Kind Donations With a Better Back Office**

Streamlining and automating your bookkeeping and accounting functions with a better back office will not only help you keep track of the in-kind donations your nonprofit receives but will also help you measure the impact of these donations.

You'll be able to measure how specific gifts helped you achieve specific goals and also determine the larger impact of offset costs and increased cash flow due to in-kind donations. With this information, you can improve your fundraising efforts with new marketing that seeks to increase donations of the most impactful in-kind gifts.

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[1]

<https://www.missionbox.com/article/56/what-us-nonprofits-need-to-know-about-in-kind-contributions>