



HEALTH & COMFORT

Gifts in Kind
Policy

Guidelines

The following policies have been established to create a basis for the acceptance, use and accounting of donated goods called gifts in kind. These policies have been formed based on the Generally Accepted Accounting Principles along with the AERDO guidelines to ensure compliance with IRS requirements such as: existence, completeness, ownership, control and valuation.

This publication is a working document and will be updated with federal and accounting regulation changes. The following policies have been developed to meet current and accepted best practices.

The content of this publication is the property of:

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Gift in Kind Mission Compliance and Product Appropriateness	Document No.	1000
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1.0 Purpose

This policy establishes guidelines for the receipt of donated goods to ensure that the goods are in compliance with the stated and intended mission of the Disabled Veteran’s National Foundation and to ensure that the goods received are appropriate for use and distribution in the intended program location.

2.0 Persons Affected

- 2.1 All Disabled Veteran’s National Foundation employees tasked with soliciting donated goods
- 2.2 All Disabled Veteran’s National Foundation employees tasked with approving the receipt of donated goods

3.0 Policy

The policy of Disabled Veteran’s National Foundation to ensure:

- 3.1 All GIK donations received by Disabled Veteran’s National Foundation are in the furtherance of their tax-exempt mission, purpose, intentions and program objectives.
 - 3.1.1 Disabled Veteran’s National Foundation will generate a list of items approved to be received as a donation.
 - 3.1.2 Disabled Veteran’s National Foundation must approve items to be received as a donation.
 - 3.1.3 Disabled Veteran’s National Foundation can approve items on an as-needed basis.
 - 3.1.4 Only items that have been approved by Disabled Veteran’s National Foundation are eligible to be received as a donation.
 - 3.1.5 Disabled Veteran’s National Foundation acknowledges that many items can have multiple uses and will assume the broadest, highest and best use of items according to Disabled Veteran’s National Foundation tax-exempt mission, purpose, intentions and program objectives.

- 3.1.6 DVNF will consider ways to increase benefits to disabled veterans through this program.
- 3.2 Prior to receiving a gift in kind donation Disabled Veteran's National Foundation will ensure programmatic appropriateness.
 - 3.2.1 No item intended for human consumption may be outdated at time of acceptance
 - 3.2.2 Any accepted item for human consumption must be distributed in a manner in which the item may be used prior to expiration.
 - 3.2.3 Any accepted item must be placed, used and distributed by an appropriate partnering entity.
 - 3.2.4 The following questions will be used to assist in determining product appropriateness:
 - Can the donation be used to support our mission, strategy and programming? Will it: Relieve suffering? Save lives? Stimulate transformational, sustainable development? Meet specific requests or needs? Will the donation be appropriate for the program partner?
 - Capacity: Does our program partner have the experience and expertise to handle, store, transport, distribute and dispense the GIK efficiently and effectively? Will this donation require additional handling or sorting?
 - Donor relationship: What potential exists for consistent donations? What was the condition of prior donations from this donor (excessive sort, applicability, significant variance in quantity, timing or quality of donations)?

4.0 Responsibilities

- 4.1 Health and Comfort Program Administrator is responsible for ensuring compliance to this policy.
- 4.2 Disabled Veteran's National Foundation employees are expected to adhere to the guidelines of this policy.
- 4.3 Health and Comfort Program Administrator will review all potential donations for mission compliance and product appropriateness.
- 4.4 The GIK Committee shall ensure that goods received and distributed are appropriate and consistent with DVNF's GIK mission of providing useful goods to needy, at risk, and disabled veterans. The Committee shall

approve goods being provided to the organizations that will be receiving and distributing goods and partnering with DVNF in such efforts.

Gift in Kind Donation Valuation	Document No.	1001
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1.0 Purpose

This policy establishes guidelines for the process by which Disabled Veteran's National Foundation determines the fair value for items donated as outlined by GAAP and support documentation from Accord/AERDO hereinafter used interchangeably.

2.0 Persons Affected

2.1 All Disabled Veteran's National Foundation employees tasked with researching, determining and validating values of donated items.

3.0 Policy

The policy of Disabled Veteran's National Foundation is to ensure:

3.1 Disabled Veteran's National Foundation will determine the value of donated goods based on the following GAAP principles:

3.1.1 The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157: Fair Value Measurements ("FAS 157") in September 2006 to provide guidance about how entities should determine fair value estimations for financial reporting purposes.

3.1.2 FAS 157 defines fair value as the price received to sell an asset or the price paid to transfer a liability in a transaction taking place in an active market and emphasizes the use of market inputs in estimating the fair value for an asset or liability. Quoted prices, credit data, yield curve, etc. are examples of market inputs described by ASC 820.

3.1.3 Disabled Veteran's National Foundation will focus on inputs derived from the most reliable source available based on applicable guidance. The majority of the inputs utilized in the determination of fair value will be based on observable markets as defined by ASC 820.

- 3.1.4 Fair value is assessed based on the exit price (or sale price) as opposed to the entry price (or purchase price). The fair value is what would be received by a knowledgeable and willing seller from a knowledgeable and willing buyer in an orderly transaction in a market with the greatest volume and level of activity for the asset or liability.
- 3.1.5 Quoted prices are the most accurate measurement of fair value; however, many times an active market does not exist so other methods have to be used to estimate the fair value on an asset or liability. FAS 157 emphasizes that assumptions used to estimate fair value should be from the perspective of an unrelated market participant. This necessitates identification of the market in which the asset or liability trades. If more than one market is available, FAS 157 requires the use of the most advantageous market. Both the price and costs to do the transaction must be considered in determining which market is the most advantageous market.
- 3.1.6 The framework uses a 3-level fair value hierarchy to reflect the level of judgment involved in estimating fair values. The hierarchy is broken down into three levels:
 - 3.1.6.1 Level One: The most accurate determination of fair value is based on, “quoted prices in active markets for identical assets or liabilities”. The entity must have access to an active market for the item being valued. If a quoted market price is not available, preparers should make an estimate of fair value using the best information available
 - 3.1.6.2 Level Two: This is valuation based on observable markets. FASB acknowledges that active markets for identical assets are relatively uncommon and, even when they do exist, they may be too thin to provide reliable information. To deal with this shortage of direct data, the board provided a second level of inputs that can be applied in three situations: The first involves less-active markets for identical assets and liabilities. The second arises when the owned assets are similar to, but not the same as, those traded in a market. In this case, the reporting company has to make some assumptions about what the fair value of the reported items might be in a market. The third situation exists when no active or less-active markets exist for similar assets and liabilities, but some observable market data is sufficiently applicable to the reported items to allow the fair values to be estimated.

3.1.6.3 Level Three: The FASB describes Level 3 inputs as “unobservable.” If inputs from levels 1 and 2 are not available, FASB acknowledges that fair value measures of many assets and liabilities are less precise. Significant assumptions are used in the valuation which are based upon inputs that are not observable in the market and, therefore, necessitates the use of internal information. This category allows “for situations in which there is little, if any, market activity for the asset or liability at the measurement date.” FASB explains that “observable inputs” are gathered from sources other than the reporting company that are expected to reflect assumptions made by market participants. In contrast, “unobservable inputs” are not based on independent sources but on “the reporting entity’s own assumptions about the assumptions market participants would use.” The entity may only rely on internal information if the cost and effort to obtain external information is too high. While internal inputs are used, the objective remains the same: estimate fair value using assumptions a third party would consider in estimating fair value. Level 3 inputs can provide useful information about fair values when they are generated legitimately and with best efforts, without any attempt to bias users’ decisions.

3.1.7 The International Accounting Standards Board (IASB) is working in conjunction with the FASB to produce a common set of standards that are principle based, internally consistent, internationally converged and lead to financial reporting that provides the information needed for investment, credit, and similar decisions. Disabled Veteran’s National Foundation will monitor changes made by the FASB and IASB and update our procedures as necessary upon adoption of any new standards.

3.2 Disabled Veteran’s National Foundation will adhere to the guidelines published by the American Evangelical Relief and Development Organization (AERDO), now called Accord, which will be used as supporting documentation to determine best practice procedures.

3.2.1 AERDO standards recognize the GAAP role as the accounting standard setter for entities headquartered in the U.S. While every effort has been made to ensure AERDO standards follow GAAP, these AERDO standards are not a substitute for authoritative technical literature. Under FASB Accounting Standards Codification, AERDO standards are considered non-authoritative, and they principally provide guidance for transactions when the FASB codification does not specify accounting treatment for a transaction or event.

- 3.3 Disabled Veteran's National Foundation will work with independent third party agencies on valuation assessment as needed.
- 3.4 Disabled Veteran's National Foundation procedures will meet or exceed the measurement requirements at the time of the measurement date.

4.0 Definitions

- 4.1 Gifts in kind (GIK). Goods and services from corporations and other private donors.
- 4.2 GAAP. Generally accepted accounting principles: a collection of rules and procedures and conventions that define accepted accounting practice
- 4.3 Accord (AERDO). Association of Evangelical Relief and Development Organizations changed its name to Accord 12/2010. AERDO drafted best practice guidelines to support the GAAP principles specifically as they relate to the donation, receipt, valuation and accounting of goods.
- 4.4 Exit Price. The price that would be received to sell the asset or paid to transfer the liability.
- 4.5 Fair Value. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 4.6 Fair Value Hierarchy. Prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.
- 4.7 Level 1 Inputs. Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- 4.8 Level 2 Inputs. Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- 4.9 Level 3 Inputs. Unobservable inputs for the asset or liability; the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.
- 4.10 Market Participants. Buyers and sellers in the principal (or most advantageous) market for the asset or liability that are: independent of the reporting entity; knowledgeable; able to transact; and willing to transact (not forced).
- 4.11 Most Advantageous Market. The market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received for the asset or minimizes the amount

that would be paid to transfer the liability, considering transactions costs in the respective market(s).

- 4.12 Observable Inputs. Inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
- 4.13 Orderly Transaction. A transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.
- 4.14 Principal Market. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability.
- 4.15 Unobservable Inputs. Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

5.0 Responsibilities

- 4.5 Health and Comfort Program Administrator is responsible for ensuring compliance to this policy.
- 4.6 Disabled Veteran's National Foundation employees are expected to adhere to the guidelines of this policy.
- 4.7 Health and Comfort Program Administrator will assess the fair value of all received donations.
- 4.8 The GIK Committee shall ensure that proper accounting and valuation practices are followed in connection with the Program.

Gift in Kind Required Documentation	Document No.	1002
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1.0 Purpose

This policy establishes guidelines for the documentation required for the receipt and distribution of goods. These documents will demonstrate the existence of the goods, valuation of the goods at time of transfer, Disabled Veteran’s National Foundation ownership, discretion and control of the goods through distribution.

2.0 Departments Affected

2.1 COMPLIANCE

2.2 ACCOUNTANT

2.3 CPA/INTERNAL AUDITOR

3.0 Policy

The policy of Disabled Veteran’s National Foundation to demonstrate:

3.1 The existence of the goods through the receipt of:

3.1.1 Inventory: a detailed listing of the items given from the donor

3.1.2 Bill of Lading: official document showing real goods as shipped

3.2 Fair value assessment of the goods through:

3.2.1 Data points: recorded information capturing the cost/value of a specific item at the measurement date.

3.3 Ownership of the goods through the receipt of:

3.3.1 Letter of Donation: Letter from the donor passing title of the donated goods to Disabled Veteran’s National Foundation

3.3.2 Bill of Lading: Disabled Veteran’s National Foundation is listed as the shipper of this document

3.4 Discretion, variance power and control of the goods through the receipt of:

- 3.4.1 Letter of Donation: This document from the donor must transfer control and recognize Disabled Veteran's National Foundation variance power.
- 3.4.2 Health and Comfort program application: This agreement between Disabled Veteran's National Foundation and their program partner serves as the direction from Disabled Veteran's National Foundation on how to distribute the goods and the agreement from the program partner to abide by the distribution instructions.
- 3.4.3 Distribution Report: The program partner's explanation of the distribution according to Disabled Veteran's National Foundation instructions found in the letter of agreement.

4.0 Definitions

- 4.1 Gifts in Kind (GIK). Goods and services from corporations and other private donors.
- 4.2 Existence. Proof that goods donated are real
- 4.3 Fair Value. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 4.4 Ownership. The ultimate and exclusive right conferred by a lawful claim or title, and subject to certain restrictions to possess, use, give away, or even destroy an item of property. Ownership may be corporeal (title to a tangible object such as a house) or incorporeal (title to an intangible object, such as a copyright, or a right to recover debt). Possession (as in tenancy) does not necessarily mean ownership because it does not automatically transfer title.
- 4.5 Variance Power. Grants power to modify any restriction or condition on the distribution of funds or goods for any specified charitable purpose or purposes, or to a specified charitable organization or organizations of Disabled Veteran's National Foundation choosing.
- 4.6 Control. The power to direct, manage, oversee and/or restrict the donated goods.

5.0 Responsibilities

- 5.1 HEALTH AND COMFORT PROGRAM ADMINISTRATOR is responsible for ensuring the receipt or generation of each document.
- 5.2 Disabled Veteran's National Foundation employees are expected to adhere to the guidelines of this policy.

- 5.3 The GIK Committee shall ensure that DVNF follows proper documentation practices for the receipt and distribution of goods.

Gift in Kind Donation Distribution	Document No.	1003
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1.0 Purpose

This policy ensures and documents the control and discretion over the distribution of goods through foreign program partners.

2.0 Persons Affected

2.1 COMPLIANCE PEOPLE and employees tasked with soliciting donated goods

2.2 PROGRAM DIRECTOR/ADMINISTRATOR

3.0 Policy

The policy of Disabled Veteran’s National Foundation for:

3.1 Pre-distribution activities policy:

3.1.1 Disabled Veteran’s National Foundation may use various methods to determine their program partners.

3.1.1.1 Program Visit

3.1.1.1.1 Disabled Veteran’s National Foundation may send an employee or volunteer to meet with and inspect the program partner and to determine their ability to distribute goods according to Disabled Veteran’s National Foundation exempt purposes.

3.1.1.1.2 Disabled Veteran’s National Foundation may use an independent third party to inspect the program partner’s ability to distribute goods according to Disabled Veteran’s National Foundation exempt purposes.

3.1.1.1.3 Documents from a program visit/audit should include: the date of the visit, the name(s) of the

individual(s) who visited the foreign recipient's place of business/location of physical operations, the name(s) of any individuals who work for, and/or are connected with, the program partner. Documentation should be retained evidencing the visit (i.e. travel itineraries, receipts, photographs, etc.).

3.1.1.1.4 Disabled Veteran's National Foundation will receive an application from the program partner outlining: (1) Disabled Veteran's National Foundation exempt purpose(s), (2) the program partner's request for items, (3) the program partner's agreement to distribute the goods according to Disabled Veteran's National Foundation exempt purposes and instructions, (4) program partner's agreement that no part of the distribution, including any income relating thereto, may be used for non-exempt purposes and (5) all other terms and/or conditions required for the program partner to receive goods for distribution.

3.1.1.2 Referrals

3.1.1.2.1 Disabled Veteran's National Foundation may use the program partner of another 501(c)3 organization.

3.1.1.2.2 The referring organization must have met all requirements listed under 4.1.1.1.

3.2 Post-distribution activities policy

3.2.1 Disabled Veteran's National Foundation will receive records establishing that the goods were used for our exempt purposes.

3.2.2 Disabled Veteran's National Foundation may request, receive and retain periodic accountings of reports from the program partner following distribution regarding their use of the distribution including, but not limited to, letters and email communications.

3.2.3 Disabled Veteran's National Foundation may choose to document in writing our representative's performance of any program inspections or on-site audits of the program partner's place of business/location of physical operations to insure that the program

partner's use of the distribution accomplished our charitable purpose in make the distribution. This should include, at a minimum, the date(s) of the inspection/site audit, and the name (s) of the individuals who inspected and/or audited the recipient's place of business/location of physical operations, and it should include the name(s) of any individuals who work for, and/or are connected with, the foreign recipient with whom the representative of Disabled Veteran's National Foundation interacted during the inspection/on-site audit. Disabled Veteran's National Foundation will retain all documentation evidencing the inspection and/or audit (i.e. travel itineraries, receipts, photographs, etc.)

4.0 Definitions

- 4.1 Gifts in Kind (GIK). Goods and services from corporations and other private donors.
- 4.2 Program Partner. A foreign organization in a strategic alliance with a US 501(c)3 to perform distribution of goods according to the US 501(c)3 exempt purposes

5.0 Responsibilities

- 5.1 Health and Comfort Program Administrator is responsible communicating with the program partner the exempt purposes of Disabled Veteran's National Foundation.
- 5.2 The GIK Committee shall evaluate and assess the appropriateness and effectiveness of organizations that will receive DVNF goods. The GIK Committee shall look for ways to increase the distribution of goods specifically to disabled veterans while furthering the overall goal of servicing all at risk veterans and veterans in need.

Gift in Kind Recognition of Revenue and Expense	Document No.	1004
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1.0 Purpose

This policy establishes guidelines for the accounting of the donation of goods as revenue and expense as program services.

2.0 Persons Affected

- 2.1 Bookkeeper
- 2.2 CPA

3.0 Policy

The policy of Disabled Veteran’s National Foundation to ensure:

- 3.1 The number of organizations accepting a GIK donation should be limited to those which have critical roles to fulfill in order to help those in need, prioritizing the best interests of the public over the best interests of Disabled Veteran’s National Foundation.
- 3.2 Disabled Veteran’s National Foundation will follow GAAP and evaluate our role in the transaction before accepting title to a donation.
- 3.3 Disabled Veteran’s National Foundation will only accept donations if title and variance power are transferred with the donation.
- 3.4 If the above policies have been satisfactorily met then Disabled Veteran’s National Foundation will recognize the fair value of the donated goods as revenue.
- 3.5 GIK donations will be accounted as revenue on the date of donation
- 3.6 GIK donations will be accounted as program services/expense on the date of shipping

4.0 Definitions

- 4.1 Gifts in Kind (GIK). Goods and services from corporations and other private donors.

- 4.2 GAAP. Generally accepted accounting principles: a collection of rules and procedures and conventions that define accepted accounting practice
- 4.3 Accord (AERDO). Association of Evangelical Relief and Development Organizations changed its name to Accord 12/2010. AERDO drafted best practice guidelines to support the GAAP principles specifically as they relate to the donation, receipt, valuation and accounting of goods.
- 4.4 Variance Power. Grants power to modify any restriction or condition on the distribution of funds or goods for any specified charitable purpose or purposes, or to a specified charitable organization or organizations of Disabled Veteran's National Foundation choosing.
- 4.5 Control. The power to direct, manage, oversee and/or restrict the donated goods.

5.0 Responsibilities

- 5.1 Health and Comfort Program Administrator is responsible for ensuring that ownership and variance power are transferred with the donation.
- 5.2 Disabled Veteran's National Foundation employees are expected to adhere to the guidelines of this policy.
- 5.3 The GIK Committee shall ensure that accounting for revenues and expenses is proper.