

# Nonprofit Navigator

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## Special events Differences between GAAP and Form 990 By Colette Kamps, CPA

Have you ever been frustrated trying to reconcile your financial statement income to the income reported on the 990? There are several differences between how transactions and balances are recorded for the financial statements (in accordance with generally accepted accounting principles), versus how they are reported on the Form 990. One of the biggest differences between GAAP and the 990 is in the area of special event income.

Special event income for financial statement purposes includes the full ticket price collected from the attendees. On the Form 990, income from fundraising events is broken out into two different line items. On the line for gross income from fundraising events (Part VIII, line 8a), you include the amount reported to attendees as the fair value (which is not the same as the costs) of what they received in exchange for their ticket price. This is the amount that is required to be reported to all attendees. The other line for fundraising income is for the contributions received from the event (Part VIII, line 1c). This line should include the difference between the ticket price and the fair value, as well as other contributions received as a result of the event (e.g., cash call, sponsorships, etc.).

**Auction items.** GAAP requires that only the cash raised from donated auction items be recorded as income. The Form 990 requires the fair value of the donated auction items be included on line 8a as income, on line 8b as a direct expense and also on line 1f and 1g as a noncash donation. The difference between the fair value and the amounts raised from the auction is included as part of contributions on line 1c.

**Raffles.** Income from raffles is not included on the 990 lines for fundraising income at all. There are separate line items specifically for gross income from gaming activities (which includes raffles) and direct expenses relating to the raffle (Part VIII, line 9).

**Schedule G.** If total income from special events (which is the total of lines 1c and 8a) exceeds \$15,000, you are required to complete Part II of Schedule G. The net amount you end up with in this section will generally agree to the amount on line 8c of Part VIII, so the Schedule G information basically provides further detail on the income and expenses of the special events. Part III of Schedule G is rather extensive and is required to be completed if gross raffle/gaming income is greater than \$15,000.

The most frustrating issue about these book/tax differences for special events is probably when the net income from fundraising events (Part VIII, line 8c) ends up being a negative amount. That amount should be looked at in total with the amount of contributions from fundraising events (line 1c) to get a better picture of the results of the event.

*If you have any questions, Colette can be reached at (480) 839-4900 or [ColetteK@hhcpa.com](mailto:ColetteK@hhcpa.com).*

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## Are you accounting for non-cash contributions received for special events correctly?

By Sharlynn Garza, CPA

Is your organization turning to special events to raise additional revenue? If so, do you know how to record the various types of non-cash contributions your organization receives for the event? Let's walk through three types of non-cash contributions that are typically received and how they should be recorded.

**Auction items.** If you receive donated items which are to be used in a silent auction, you would record the fair value of the item, which in this case would be the value the item ultimately gets auctioned off for. For example, the organization receives a bracelet from a donor valued at \$5,000. The bracelet is auctioned off at the event and the amount paid by the bidder is \$3,000. This transaction can be recorded two different ways:

1. Record the contribution of the bracelet upon receipt by debiting an asset account such as inventory and crediting contribution income for \$5,000. After the event, you would need to record the cash received from the auction and adjust for the difference between the originally recorded value and the amount it was auctioned off for. This entry would be a credit to the asset account of \$5,000 to remove the item from inventory, a debit to cash for \$3,000, which is the cash value received for the bracelet, and a debit for the difference to contribution income for \$2,000.
2. Record the contribution of the bracelet after the event by debiting cash for the amount received and crediting contribution income for \$3,000.

If the receipt of the donated bracelet and the special event occur in the same year, option 2 is a more simplified approach. But if the receipt and the event occur in two different years, then option 1 would be required.

A common error is when contribution income is recorded twice for donated auction items. An example of this error would be if the fair value of the original receipt of the bracelet is recorded as both contribution income and an expense, and then after the event, when cash is debited, auction revenue is also recorded. This is an error that overstates income, as the contribution is essentially being recorded twice.

**Items provided to attendees.** Donated items received and then given out to all those attending the event, such as gift bags, would be recorded as contribution revenue and as an expense and included in Direct Benefit to Donors.

**Donated services.** Donated services would be recorded as contribution revenue and the expense recorded as either Direct Benefit to Donors or as a fundraising expense, depending on the nature of the service. If the service benefits all attendees, such as entertainment or valet parking, this expense may be included as Direct Benefit to Donors. If the donated service is free printing, this may be considered more of a general fundraising expense.

So many different scenarios can occur with special events that it can be confusing trying to determine how and when various transactions should be recorded. Accounting for special events may not be as simple as it seems.

If you have any questions, Sharlynn can be reached at (480) 839-4900 or [SharlynnG@hhcpa.com](mailto:SharlynnG@hhcpa.com).



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- Sarah Stuckey,  
CFO, St. Mary's  
Food Bank