



5311 In-Kind Match Q&A

April 17, 2024

In-Kind - Definition

- FTA Circular 5010.1F I.4.a.156 - Third-Party In-Kind Contributions
 - *Non-cash contributions (i.e., property or services) that: (1) benefit a federally assisted project or program and (2) are contributed by non-Federal third parties, without charge, to a recipient or subrecipient under a Federal award.*
 - Volunteers
 - Services
 - Property
 - Organizations
 - Services
 - Property
- 2 CFR §200.306(b),(d) – Subrecipient cost sharing
 - *For all Federal awards, the Federal agency or pass-through entity must accept any cost sharing funds (... including funds committed by the ... subrecipient, ...) as part of the ... subrecipient's contributions to a program ...*
 - *Values for recipient or subrecipient contributions of services and property must be established in accordance with the cost principles in subpart E. ...*
 - Services
 - Property

In-kind Regulations

- 2 CFR §200.403 Factors affecting allowability of costs
 - Allowability criteria for charging costs to a federal award
 - In 2 CFR Part 200 Subpart E – Cost Principles
- 2 CFR §200.306 Cost sharing
 - Subrecipient cost sharing regulations
 - (including cash and third-party in-kind contributions, and also including funds committed by the recipient, subrecipient, or third parties)
- FTA Circular 5010.1F – Award Management Requirements

2 CFR §200.403 – Factors Affecting Allowability of Costs

- Costs must meet general criteria to be allowable
 - Necessary and reasonable
 - Conforms to limitations and exclusions as listed by type
 - Consistent with policies of the subrecipient
 - Consistent treatment, direct or indirect
 - Not double counted in another federal award
 - Adequately documented
 - Incurred during the budget period

2 CFR §200.306 – Cost Sharing

- (b): Shared costs criteria, cash and in-kind
 - Are verifiable in the non-federal entity records
 - Are not included in another federal award (no double counting)
 - Are necessary and reasonable
 - Are allowable under the 2 CFR subpart E requirements
 - Are not paid from a Federal Government source, unless authorized
 - Are included in the approved budget by the federal awarding agency
 - Conform to other provisions in §200.306

2 CFR §200.306 – Cost Sharing

- (c): Unrecovered indirect costs
- (d): Subrecipient contributed services & property
- (e): Third party volunteer donated services
- (f): Third party organization donated services
- (g): Third party donated property
- (h): Valuation of asset donation vs asset use donation
- (i): Valuation of donated property
 - Land & buildings
 - Equipment
 - Space
- (j): Fair market value documentation requirement

In-Kind – Examples

- Labor
- Rental Space
- Land and Buildings
- Equipment
- Goods and services
- Unrecovered Indirect costs
- Other expenses

Labor Contributions

- 2 CFR §200.306(d) – Subrecipient
 - Direct labor expenses
 - Value according to Subpart E. Cost Principles.
- 2 CFR §200.306(e) – Volunteer Donated Services
 - Type of labor must be an allowable expense
 - Volunteer rates must be consistent with rates paid or consistent with labor market if labor not internal to subrecipient
 - Reasonable fringe benefit amount may be included
- 2 CFR §200.306(f) – Organization Donated Services
 - Type of labor must be an allowable expense
 - Valued at the employee's organization rate of pay
 - Reasonable fringe benefit amount may be included

Labor – Examples

- Allowable Examples
 - Labor furnished by recipient or third party; professional and technical personnel, consultants, skilled, and unskilled
 - Volunteer or unreimbursed recipient expenses for
 - Drivers, dispatchers, or other functions
 - Administrative, legal, IT, and maintenance services
 - Vehicle or facility maintenance
 - Unreimbursed services provided to program by other agency personnel
 - Includes reasonable fringe benefits
- Unallowable Examples
 - Elected officials acting in elected official capacity
 - Staff included in cost allocation plan/indirect cost rate

Labor - Requirements

- Services are necessary for the award/project
- In-kind documentation required with reimbursements
 - Documentation of rates
 - TDOT will require documentation of rates for all in-kind services
 - Matched skills, rates paid to similarly skilled employees
 - Unmatched skills, rates paid in the labor market
 - » Source – US Department of Labor Bureau of Labor Statistics (BLS)
 - » Source – Independent Sector – Non-profit
 - Volunteer or organization employee completed time sheets
 - TDOT will require time sheet documentation for all in-kind services
 - Timesheets, or
 - Timesheet report schedule – must reflect actual time
 - TDOT will require in-kind payroll calculation reports by individual
 - TDOT will require in-kind payroll summary report

Labor – Requirements

Source	Labor Costs	Fringe Benefits	Invoice Documentation
Recipient	Recipient rate (<u>These costs could be charged as cash expenses.</u> If select in-kind usage, follow these documentation requirements)	Recipient	<ul style="list-style-type: none"> - Rate and source of rate - Timesheet or report schedule - in-kind payroll calculation (rate X time) - in-kind summary expense report - Certification not in indirect costs
Third Party Volunteer	Rate for skill	Reasonable, necessary, allocable, and allowable	Same
Third Party Organization	Third Party Organization rate	Third Party Organization Rate Reasonable, necessary, allocable, and allowable	<ul style="list-style-type: none"> - Third party documentation of expenses; rate, time, total, fringe benefits, summary - Certification not in indirect costs

Rental Space – Third Party Donation

- 2 CFR §200.306(h)(2)
 - Rental space must be program eligible
 - Fair rental value established by independent appraisal
 - Comparable space in privately owned building in same locality
 - Documented by written lease agreement
 - Lease treated as active lease, e.g., renewed each year
 - Public property access not allowable, e.g. bus stops, can't be used
 - Private property access allowable, consult with TDOT
 - Bus stops at shopping center
 - Parking space usage

Rental Space - Valuation

- 2 CFR §200.306(i)(3) – Donated Space
 - The value of donated space must not exceed the fair rental value of comparable space as established by a credentialed independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- 2 CFR §200.465(c) – Less-Than-Arms-Length Leases
 - Rental costs under “less-than-arm's-length” leases are allowable only up to the amount (as explained in paragraph (b) of this section). ...
 - 2 CFR 200.465(b)
 - Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

Rental Space - Requirements

- Less-than-arms-length space donations
 - Value only include expenses such as depreciation, maintenance, taxes, and insurance
 - FTA doesn't allow depreciation expenses for capital assets
- Other donated space valued at fair market value
 - Required to be supported by an independent appraisal
 - The lease must be in writing
- Public access right of way for bus stops cannot be used
- Private property access type consult TDOT for eligibility
 - Bus stops at a shopping center
 - Parking spaces
 - Written agreement required
- TDOT documentation requirements
 - Written lease
 - Independent appraisal with reimbursements
 - Schedule of in-kind lease expenses with reimbursements
 - Certification that expense items not included in indirect costs

Rental Space - Requirements

Source	Rental Costs	Invoice Documentation
Other Third Party Owner	Fair rental value of comparable space established by independent appraisal of comparable privately owned space and facilities in the same locality	<ul style="list-style-type: none">- Written lease agreement- Independent appraisal (renewed each year) (understand what's included for valuation, e.g., utilities)- Certification that none of the expense items are included in the indirect cost pool
Less-than-arms-length Owner	Actual costs of owning the space; utilities, depreciation, maintenance, taxes, and insurance. FTA doesn't allow depreciation expense of capital asset.	<ul style="list-style-type: none">- Written lease agreement- Actual cost documentation from less-than-arms-length owner for reimbursements- Certification that none of the expense items are included in the indirect cost pool

Land and Buildings

- 2 CFR §200.306(d) – Subrecipient Donation
 - Value at fair market value at time of donation
- 2 CFR §200.306(h)(1) – Third Party Donation - Cost Sharing
 - Value of donation may be used as cost sharing if donation is to assist in acquiring buildings or land
- 2 CFR §200.306(i)(1) – All Donations – Uniform Act
 - Value at fair market value at time of donation
 - Appraisal & Review Appraisal
- FTA Circular 5010.1F IV.4.(i) – All Donations
 - NEPA, Uniform Act, and any other Federal Procedures required
 - Value at fair market value as independently appraised
 - Review appraisal required per Uniform Act
 - Require FTA concurrence before use as local match
 - Documented in FTA grant application

Land and Buildings – Recipient Donation

- 2 CFR §200.306(d)
 - ... If authorized by Federal awarding agency, non-Federal entity donations of buildings or land for construction/facilities acquisition projects or long-term use must be valued at the lesser of
 - The remaining life of the property on the non-Federal entity's books at the time of the donation, or
 - The current fair market value. The Federal awarding agency may approve the use of the fair market value even if it exceeds the remaining life value in (1).
 - (FTA uses the fair market value (FMV).)

Land and Buildings – Third Party Donation

- 2 CFR §200.306(h)(1)
 - Third party donated equipment, buildings, and land where title passes to the non-federal entity must be valued in one of two methods based on the purpose of the Federal award
 - Assist the non-Federal entity in the acquisition of equipment, buildings, or land, then the aggregate value may be claimed as cost sharing. ...

Land and Buildings - Valuation

- 2 CFR §200.306(i)(1)
 - Valuation of donated property must be determined in accordance with the usual accounting policies of the non-Federal entity, with the following qualifications
 - Donated land and buildings must not exceed the FMV at the time of donation as established by a credentialed independent appraiser and certified by a responsible official of the non-Federal entity as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) (Uniform Act) except as provided in the implementing regulations at 49 CFR part 24, “Uniform Relocation Assistance And Real Property Acquisition For Federal And Federally-Assisted Programs”.

Land and Buildings - Appraisals

- FTA Circular 5010.1F IV.4.(i) – In-Kind Contributions of Real Property ...
 - ... The property can be owned and donated by the recipient or by a third party, provided that the recipient has satisfactory continuing control over the asset. A recipient shall not acquire property for the purpose of donating it to carry out a federally assisted project without following NEPA, the Uniform Act, and any other Federal procedures. The in-kind contribution allowance will be based on the current market value as independently appraised. Appraisals and review appraisals intended to value the in-kind contribution must comply with the requirements of 49 CFR 24.104 and 24.105 (See this circular for additional guidance on FTA appraisal requirements.). Appraisals for real property, regardless of appraised value, must be submitted to the FTA Regional or Metropolitan Office. FTA must review and concur on in-kind contributions of any value before Federal funds are expended or the value is used as local match. ...
 - TDOT will work with the FTA for concurrence upon receipt of appraisals and review appraisals from the recipient.

Land and Buildings - Requirements

- Recipient or third-party can donate land and buildings
- FTA uses fair market value for in-kind donation valuation
 - Uniform Relocation Act
 - Appraisal
 - Review Appraisal
 - Valid for six months
- FTA acquires share interest in asset after in-kind is claimed
 - FTA management and disposition requirements become applicable
- Uniform Act and NEPA requirements apply to the project
- For portions to be used, parcel portions must be tracked
- A seller discount of the appraised value can be used for in-kind
- Third-party long-term lease of land for construction can be used for in-kind
 - Net present value – projected lease payments is value of in-kind
 - Recipient buy out required of unamortized FTA interest if lease is broken

Land and Buildings - Requirements

Source	Buildings & Land	Invoice Documentation
Recipient	FMV <ul style="list-style-type: none">- Appraisal<ul style="list-style-type: none">- Valid for six months- Review Appraisal	<ul style="list-style-type: none">- Appraisal- Review Appraisal- Asset Documentation Form
Third Party	Same	Same

Equipment – Definition

- 2 CFR §200.1
 - **Equipment** means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. See also the definitions of capital assets, computing devices, general purpose equipment, information technology systems, special purpose equipment, and supplies in this section.
 - 2 CFR Part 200 update revises \$5,000 limit to \$10,000 effective for assets purchased with funds obligated on or after October 1, 2024, so donations after October 1, 2024

Equipment Donations

- 2 CFR §200.306(d) – Subrecipient Donation
 - Value at fair market value at time of donation
- 2 CFR §200.306(h)(1) – Third Party Donation – Cost Sharing
 - Value of donation may be used as cost sharing if donation is to assist in acquiring equipment
- 2 CFR §200.306(i)(2) – All Donations
 - Value at fair market value at time of donation
- 49 CFR §661.5 – Buy America Requirements
 - All products used in project are produced in the United States

Equipment – Requirements

- Recipient or third-party can donate equipment
- Recipient original acquisition must have complied with FTA requirements, including Buy America
- Donated use of equipment, need to have further discussions
 - Most likely not allowable as in-kind
- FTA uses fair market value (FMV) for donated equipment
 - FMV must be documented based on subrecipient policy
 - Must not exceed FMV at time of donation
 - Must not exceed FMV of equipment of same age or condition
- FTA acquires share interest in asset after in-kind is claimed
 - FTA management and disposition requirements become applicable
- TDOT documentation requirements
 - Equipment valuation documentation with reimbursements
 - Certification FMV not exceed FMV at donation
 - Schedule of equipment expenses with reimbursements
 - Equipment Buy America explanation schedule

Equipment – Requirements

Source	Equipment	Invoice Documentation
Recipient	FMV	<ul style="list-style-type: none">- Schedule of equipment donations with descriptions- Value of in-kind equipment- Certification of fair market value- Equipment Buy America schedule- Schedule of in-kind equipment with reimbursements- Asset documentation form
Third Party	FMV	Same

Goods and Services – Revised!

- 2 CFR §200.306(j) previously included third party goods and services. It has been revised to now apply more generally to, “third party in-kind contributions”.
- See “other expenses” – next slides.

Other Expenses Donations

- Other contributed or donated services/expenses are covered under 2 CFR §200.306(d), any other expenses allowable under Subpart E of 2 CFR Part 200.
- 2 CFR §200.306(d) – Subrecipient Donations
 - Value at fair market value at time of donation
- 2 CFR §200.306(e)&(f) – Third Party Donations – Services
 - Value at comparable rates for volunteers
 - Value at paid rate for organization donation of services
- 2 CFR §200.306(g) – Third Party Donations – Property
 - Value at fair market value at time of donation

Other Expenses - Requirements

Source	All 2 CFR Part 200 Allowable Expenses	Invoice Documentation
Recipient	All these expenses should qualify as expenses eligible for refund. Most likely to be taken as cash expenses rather than in-kind.	- In-kind documentation would be the same as used for cash expense documentation
Third-Party	FMV	<ul style="list-style-type: none">- Schedule of in-kind other expenses with descriptions- Value of in-kind other expenses- Certification of fair market value- Other expenses Buy America schedule- Certification that goods and services not included in indirect cost pool- Asset documentation form, where applicable

Unrecovered Indirect Costs – Just a note...

- 2 CFR §200.306(c) – Recipient Unrecovered Indirect Costs
 - *Unrecovered indirect costs, including indirect costs on cost sharing, may be included as part of cost sharing with the prior approval of the Federal agency or pass-through entity. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the recipient's or subrecipient's approved indirect cost rate.*
 - Currently, TDOT is not approving this type of in-kind share usage.
 - Unsure of documentation requirements and incorporation treatment in cost allocation/indirect cost rate plan filed with cognizant agency. Issues similar to inclusion of unallowable costs required to determine indirect cost rates (2 CFR §200.413(e)) appear to be applicable to in-kind donations. TDOT is continuing research.

In-Kind – Basics

- Must be allowable
 - As with any program award costs, the in-kind costs must meet the same eligibility requirements as cash costs
 - Scope of expenses also applies
 - Operating, Capital, or Administration
 - In-kind donation supporting same activity as cash line item code (ALI)
- Source of In-kind must be eligible
 - e.g., In-kind items paid with FTA funds cannot be use as in-kind match
- In-kind donations cannot be used to avoid regulations
 - Buy America, Uniform Act, NEPA, etc.
- Valuation at fair market value
 - Services – current rates or rates of pay
 - Property – dated valuations or appraisals within last six months
- Valuation support must be documented
- In-kind share supports local share, however in-kind assets acquire the same federal, state, local share percentages as the activity
- FTA and TDOT approval – Disclosed in FTA grant application

In Kind Math

- In-kind expense may not exceed the amount of required local match
- TDOT will look at the project life to date amount for in-kind limitation
- In-kind excess held until local share project life to date amount is available
 - C = Total Cash Operating Expense
 - r = revenues (fare box, program income, revenues that are a direct offset to expenses)
 - l = Local match share percentage
 - k = In-kind Expense

$$\begin{aligned}l \{ (C - r) + k \} &\geq k \\l (C - r) + l(k) - k &\geq 0 \\k(l - 1) &\geq -l (C - r) \\k &\geq \frac{-l (C - r)}{(l - 1)} * \frac{-1}{-1} \\k &\geq \frac{l (C - r)}{(1 - l)}\end{aligned}$$

In Kind Math – In Plain English?

- In-kind donations to be considered cannot exceed the local share percentage of the sum of net costs plus in-kind donations
- Operating Example: (50% Federal, 25% State, 25% Local)
 - \$120,000 cash net operating expenses (net after fare box revenues) to date
 - \$50,000 in-kind operating contributions/donations to date
 - Maximum amount of in-kind that can be considered for net operating expenses:
 - $[25\% * (\$120,000)] / [75\%] = \underline{\$40,000}$
 - Only \$40,000 of the in-kind operations contributions/donations to date are available to use
 - \$10,000 excess in-kind amount will be held in reserve until cash expense amounts exceed in-kind maximum amount threshold.
- Contract budgets document cash and in-kind share amount
 - Reimbursement amounts may be limited due to timing of cash and in-kind amounts
 - until cash expenses exceed in-kind thresholds
 - until in-kind amounts meet budget limits
 - Thorough, careful, documented planning is required to avoid budget miss
 - Budget revision may be required based on cash to in-kind mix for unforeseen misses

In-Kind - Accounting

- Documentation support is critical
- Must account for in-kind transactions
 - Within main accounting system, or
 - Outside main accounting system
- Credit and Debit simultaneous entry required in accounting records
 - Debit
 - Expense
 - Asset
 - Credit
 - Revenue

In Kind – Transaction Overview

	No In-kind	With In-kind
Operating Expenses		
Cash Expenses	\$255,000.00	\$225,000.00
In-kind Expense	\$0.00	\$30,000.00
Fare Revenue	(\$5,000.00)	(\$5,000.00)
Net Operating Expenses	\$250,000.00	\$250,000.00
Federal Share	\$125,000.00	\$125,000.00
State Share	\$62,500.00	\$62,500.00
Gross Local Share	\$62,500.00	\$62,500.00
In-kind	\$0.00	(\$30,000.00)
Local Share Cash	\$62,500.00	\$32,500.00

In Kind – Transaction Overview

Transactions	Debit				Credit		
	Cash	Assets	Expenses		Cash	Revenues	
			Cash	In-kind		Cash	In-kind
Operations - No In-kind							
Operating Expenses			\$255,000.00		\$255,000.00		
Fares	\$5,000.00					\$5,000.00	
Net Balances	\$5,000.00	\$0.00	\$255,000.00	\$0.00	\$255,000.00	\$5,000.00	\$0.00
Federal Reimbursement	\$125,000.00					\$125,000.00	
State Reimbursement	\$62,500.00					\$62,500.00	
Balance	\$192,500.00	\$0.00	\$255,000.00	\$0.00	\$255,000.00	\$192,500.00	\$0.00
Operations - With In-kind							
Operating Expenses			\$225,000.00		\$225,000.00		
In-kind Donations				\$30,000.00			\$30,000.00
Fares	\$5,000.00					\$5,000.00	
Net Balances	\$5,000.00	\$0.00	\$225,000.00	\$30,000.00	\$225,000.00	\$5,000.00	\$30,000.00
Federal Reimbursement	\$125,000.00					\$125,000.00	
State Reimbursement	\$62,500.00					\$62,500.00	
Balance	\$192,500.00	\$0.00	\$225,000.00	\$30,000.00	\$225,000.00	\$192,500.00	\$30,000.00

In-Kind – Process Modifications

- Application
 - Select if plan to use in-kind expenses for local share
 - Select to maintain in-kind accounting records within or outside main accounting system
 - List types of in-kind expenses subrecipient plans to use
 - TDOT must include these in FTA grant application budgets
 - Describe valuation method, must be ready at time of application
 - Talk with TDOT to confirm
 - Prepare files now for reimbursement reporting
- Budget
 - Will include in-kind designation for line items
 - TDOT must inform FTA of in-kind usage for grant application budget
- Schedule of Expenditures
 - Will include separation for reporting in-kind
 - Excess in-kind amounts held until cash thresholds met
 - Additional documentation by type as described
- Refunds
 - Will be based on when identified
 - If have excess in-kind, refunds could result in an amount greater than share

In-Kind Opportunity

Questions?