

REPORTING of DONATED ITEMS – Schedule G, IRS Publication Form 990

The Riders are holding an auction at Post xxx and they receive numerous items to auction off. These items were donated. So how do I record these donated items? When an item is received to be used in an auction benefiting the organization, it should be first recognized as an asset and contribution revenue. An asset because it is of value and you own it temporarily. An example, you received a balcony room cruise to Jamaica for \$3,000.00 to be part of the auction at your event, it should initially be recognized as follows:

- Donated auction item (asset account) \$3,000.00
- Contribution revenue (\$3,000.00)

When the item is sold, there are two different ways the transaction may need to be handled. If it is sold at a higher value than originally donated at, the amount of cash above the value is accounted as additional contribution revenue. If the Jamaican cruise sold for \$4,000, you should recognize the sale as follows:

- Cash: \$4,000.00
- Donated auction items (asset account) (\$3,000.00)
- Contribution revenue (\$1,000.00)

What happens when someone gets a bargain and pays less than the donated value? You must recognize the difference between the asset you have shown and the incoming cash as a debt to contribution revenue. If the Jamaican cruise sells for \$2,000.00, you recognize the sale as follows:

- Cash: \$2,000.00
- Contribution revenue \$ 1,000.00
- Donated auction item (asset account) (\$3,000.00)

In review of the above entries, notice that the maximum amount of contribution revenue you should report is the cash received for the donated item. All your worksheets must be turned into your Post's Finance Officer as he must report all these items on Schedule G, IRS Publication Form 990.