



Smart Start Program Match Manual

For DSP's

Smart Start Program Match Manual

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Cash and In-Kind Program Match Basics

What is the Cash & In-Kind Program Match?

Cash and in-kind contributions to Smart Start that qualify as program match are supporting contributions that help us serve program objectives and do not come from state sources. Often, the contributions reduce the cost to Smart Start for administering activities or providing services. Reportable match contributions include funds, services, and materials. They may be received and/or used at the Local Partnership (LP), Direct Service Provider (DSP), or grantee level.

The guidance given in this manual is ONLY applicable to what may be counted for meeting the Smart Start program match requirement.

Not All Contributions Qualify as Program Match

It is important to remember the purpose of the program match requirement is to obtain non-state contributions that defray what might otherwise be costs to Smart Start, or to expand the types of services provided by Smart Start without using additional state funds. Therefore, contributions that are not available for purposes within the legislative Smart Start mission are not considered to be program match because they do not support Smart Start objectives. Additional information about contributions that do not qualify as Smart Start program match are explained in this manual.

Why do we need Cash & In-Kind Program Match?

The Smart Start network is required by legislation to match a portion of state funds with non-state resources. To meet this legislative requirement, the North Carolina Partnership for Children (NCPC) requires each LP to match a percentage of its combined Smart Start Administrative and Services available funds each year. This percentage is equal to the amount required by legislation for each fiscal year.

With limited resources and increasing needs, we cannot count on state funds to meet the needs of our communities. It is important to our success and growth that we leverage all possible non-state support to provide the additional resources needed.

How is each LP's Program Match Requirement Calculated?

Since the legislative match requirement is based on Smart Start's total allocation budgeted from the state, each fiscal year, an LP's match requirement is calculated as a percentage of total Smart Start funds available (Administration + Services).

This is different from each LP's legislative requirements for the 30% Subsidy and 70% Child Care Related mandates which are calculated based on Services funds only. This calculation also differs in that it is calculated based on available funds, not expenditures. The total amount in contract and the total amount spent are not relevant, as all funds available must be matched. MAC funds are not included in the calculation.

There may be adjustments to an LP's Smart Start funds available either at the beginning of the fiscal year or during the fiscal year that affect the required program match. Every time an LP is notified of a change in its available Smart Start funds, their cash and in-kind program match requirement also changes.

The legislated statewide requirement establishes a minimum amount of the total match that must be comprised of cash (versus in-kind). As of July 2017, there is currently NO requirement for each LP as to how much of the required percentage must be cash versus in-kind match, though this policy is subject to change.

What Happens if a Local Partnership Does Not Meet its Required Match Percentage?

Effective July 1, 2017, the revised penalty policy will be imposed in FY18-19 for LPs who have match deficits in FY17-18 (and subsequent years).

The penalty includes:

- Ineligibility in the year following the deficit for additional one-time, nonrecurring State Smart Start funds with a match provision. The penalty is not applicable to private grant funding issued by NCPC, state allocations without a match requirement, and Smart Start base allocation increases.
- Required technical assistance if there is a program match deficit with a goal of supporting the local partnership's capacity for future fund development.

Cash and in-kind deficiencies could also be noted as audit findings for failure to comply with NCPC policy. Since auditors may disallow reported contributions, LPs should attempt to exceed the required percentage, thus providing a cushion against possible deductions.

Cash Match

Cash Match Defined

Reportable cash match may include cash and checks received by an LP and/or received directly by a Smart Start program. Several examples of cash match will be described on the following pages.

Rules for Cash Contributions Received Directly by LPs

Cash contributions to LPs count as a matching cash contribution during the fiscal year in which they are deposited into the partnership's bank account. For contributions pledged during the fiscal year, only the amount of the pledge actually deposited on or before June 30 of the fiscal year may be reported.

Rules for Cash Contributions Received Directly by DSPs / Contractors

If a cash contribution is made directly to a direct service provider or contractor, the contribution must additional criteria, including:

- Must directly support the Smart Start activity in contract with the LP.
- Must be expended on behalf of the Smart Start project in the fiscal year reported. If only a portion of it is expended in the current fiscal year, only the amount expended can be reported. The rest may be reported in subsequent fiscal years, as applicable.

Examples of Cash Match

Cash Contributions

Reportable cash or checks contributed to the LP are reported in the quarter in which the deposit is made. A copy of the check and the related deposit slip must be maintained as documentation. Cash and checks received by a DSP/Grantee are not reportable when received, but when expended for a Smart Start purpose. This is covered in more detail later in this manual in the section titled **Additional Requirements for DSP-Level Program Match**.

Interest earned on LP bank deposits is also reportable as program match. While this is not exactly a donation, it does represent a source of non-State revenue available to use for Smart Start purposes.

Grants

There are two primary characteristics of grants that impact their allowability as reportable program match. One is the source of funds, and the other is the allowable use of the funds.

Source of Funds

Grants received by the LP from any source other than state funds may be counted to the extent that the funds are deposited during the fiscal year and meet all applicable requirements. This includes grants from the federal government, local government, community foundations, private companies, and so forth.

Any funds that flow through a state agency will be disallowed. Therefore, federal funds such as Title I funds that come through the state will be disallowed.

Federal funds that go directly to the local level, such as Head Start funds, should generally be allowed. Since NCPC is not a state government agency, privately funded grants administered by NCPC may be counted. The sources for these funds include banks and other corporate or private contributors.

Allowable Use of Funds

The purpose of the program match requirement is to obtain contributions to Smart Start that help us serve program objectives and do not come from state sources. Therefore, contributions that are donor-restricted for purposes inconsistent with the Smart Start mission (or Smart Start Cost Principles) are not considered to be program match because they are not available to support Smart Start objectives.

Documentation should include grant documents (such as the proposal submitted, grant agreement, expenditure reports, etc.) or, in the case of less formal grants, correspondence from the donor accompanying the grant or contribution. Copies of checks and validated deposit slips also must be maintained as documentation. Remember, if grant funds are received over multiple fiscal years, only funds deposited within the current fiscal year can be reported during this fiscal year (if the grant is received directly by an LP). Grants received by a DSP/Contractor are reportable in the fiscal year the funds are expended for a Smart Start purpose.

Silent (or Live) Auctions

When an LP auctions items that have been donated, it is the **proceeds** of the auction, not the value of the donated items, that must be reported. For example, if an LP receives a donated auction item with an estimated value of \$200, no program match contribution is recorded for the donation. If the proceeds from the sale of the donated item are \$150, a contribution in the amount of \$150 is recorded as a cash contribution. If an LP was to count the donated value AND the cash proceeds, it would be double-counting. It is not the donated item that will be used (directly) as a Smart Start resource, but the cash received for it.

Documentation of the auction, such as a listing of the items auctioned, copies of checks collected, and related validated deposit slip(s) must be maintained as documentation.

Participant Fees

As with parent fees, participant fees constitute a non-state source of funds that offset the cost of a Smart Start activity. Because participants are charged a fee, their money is available to match a portion of the Smart Start cost that might otherwise have to be covered by the LP. Participant fees can include lending library usage or membership fees, registration fees for child care providers to attend classes sponsored by CCR&R, fees paid by recipients of program materials such as car safety seats, and similar fees.

Documentation of the participant fees, such as logs or rosters, copies of checks collected, and related validated deposit slip(s) must be maintained as documentation.

Participant fees collected may also constitute Smart Start program income. Program income may only be spent on approved Smart Start service activities. The **Program Income vs. Program Match** section of this manual provides more detail.

Profit on the Sale of Goods

When an LP sells items as a fundraiser, the profits may be counted as matching cash contributions for Smart Start. If items are purchased at a cost of \$1 each and sold for a price of \$5 each, the profit of \$4 each can be recorded as a contribution. If the same items were donated to the LP, the total proceeds of \$5 each could be counted as a contribution.

Documentation supporting expenses and proceeds related to the sale of goods must be maintained.

If Smart Start funds are expended in relation to the sale, profits from the sale are also program income. For example, if 100 items to be sold are purchased with Smart Start funds for \$1 each, the Partnership must first return the cost (\$100) to the originating Smart Start fund. If all 100 are sold at \$5 each, the profit of \$400 is entirely program income and may only be spent on approved Smart Start service activities. The \$400 can also be counted towards the program match requirement.

If the original purchase was made from private unrestricted funds, the \$400 profit can still be counted towards the match requirement, but it is not considered Smart Start program income.

Cash Matches by Grant Recipients

If grantees are required to provide a cash match for a grant, such as a Quality Enhancement grant, amounts received may be reported as matching Smart Start contributions.

Documentation must include either a copy of the check and deposit slip, if applicable, or documentation to demonstrate certain items were paid for directly by the grantee. Even if the activity is administered by the partnership, rather than a DSP, check the box for DSP when this is entered into the Cash and In-Kind reporting system (CandI). This is because it is not a donation to the LP.

State Employees Combined Campaign Funds

Local Partnerships may receive checks representing donations collected through the State Employees Combined Campaign. These donations are reportable as cash donations when deposited by the LP, the same as any other individual contributions. The Donor should be listed as "State employees."

Documentation would consist of a copy of the check and the deposit slip.

Program Income vs. Program Match

Program Income

Program income is gross income generated by a Smart Start supported activity or earned as a result of the Smart Start contract award. Program income includes, but is not limited to, interest earned on state-funded deposits, the rental of real or personal property acquired with state funds, and profits from sales of commodities or goods. Interest earned on Smart Start funds is a common example of program income. Also, if there is a component of a Smart Start activity that results in revenue, that revenue would generally be considered program income, because a Smart Start activity generated it. If revenue is generated by an activity that is not Smart Start-funded, the revenue is not Smart Start program income.

For example, an LP may operate a lending library as a component of a Smart Start-funded CCR&R activity. In this case, lending library fees collected are considered program income and program match. If the lending library was not created or supported with Smart Start funds, but private dollars instead, the fees collected are not considered to be Smart Start program income, but can still be counted as program match.

As another example, an LP may sell cookbooks to raise money for the partnership. If any expenditures related to producing the cookbook (printing, binding, advertising, etc.) are paid for with Smart Start funds, the profit from the sale of the cookbooks is program income and program match. If no Smart Start funds are used to make or sell the cookbooks, the profits are not program income, but can be counted as program match as long as the revenue is available for purposes within the legislative Smart Start mission.

Program Match

Program match consists of supporting contributions that help serve Smart Start program objectives and do not come from state sources. Program income is defined in part by the circumstances that *generate* the revenue, while program match is defined in part by the *allowable use of* the revenue generated.

Program Income May Also be Program Match

Because Program Income must be used for approved Smart Start service activities, program income is generally also reportable program match. Providers who pay a membership fee to belong to a Smart Start-funded lending library represent a non-state source of funds used to reduce the cost of program services. Members of the community who buy Smart Start-funded cookbooks also generate a non-state source of funds that can be used for Smart Start service objectives.

Program Match May or May Not Relate to Program Income

Reportable program match does not necessarily mean that the revenues being used to help serve program objectives were also Smart Start program income, though. If the lending library is not Smart Start funded, revenues would generally be unrestricted, rather than Smart Start program income. However, if the lending library revenue is available to offset Smart Start program expenditures, the money would still be reportable as Smart Start program match.

In-Kind Match

In-Kind Match Defined

In-kind matching contributions are services or materials donated to an LP and/or received directly by a Smart Start program. In-kind contributions generally represent donations for an activity that, if not donated, could have or would have been paid for with Smart Start funds.

In-kind contributions are often more complicated to document than cash contributions. NCPC suggests that LPs perform a **cost/benefit analysis** to determine whether documenting and reporting certain in-kind contributions are an effective use of staff time.

Many in-kind contributions are often reported by Direct Service Providers (DSPs), as many LPs require matching contributions from DSPs. Please review the section entitled “**Should DSPs be Required to Match?**” later in this manual for more information about DSP matching.

Rules for In-Kind Matching Contributions

Valuation is critical with regard to in-kind contributions. The value of each contribution must be documented, including the calculations involved (if applicable). If the value for a contribution is not readily determinable, a simple estimate will not suffice. Estimated amounts signify a lack of documentation for actual values and are likely to be disallowed. In addition, donor-assigned values are not likely to be accepted.

The reported contribution amount must be based on an independent assessment of the **fair market value (FMV)**. Third-party appraisals or published prices are examples of acceptable forms of documentation.

In addition, each in-kind contribution must be **reasonable and necessary** for the activity for which it is donated. Reportable donated services or materials must be in compliance with the Smart Start Cost Principles. Again, reportable in-kind contributions must be goods or services that, if not donated, could have or would have been paid for with Smart Start funds. This is discussed further in the section titled **Contributions That Cannot Count Toward the Required Match**

Please note that the types of in-kind contributions listed in this manual are not all-inclusive. Other types of contributions may be allowable if properly documented.

Examples of In-Kind Match

Office or Classroom Space

If the cost of space needed for an activity is not being charged to Smart Start as rent or as a portion of an overhead charge, it may generally be counted as an in-kind contribution. It may also be counted if Smart Start is paying rent, but at a rate below fair market rental value, in which case the difference between FMV and actual cost can be counted as the contribution. To report space as an in-kind contribution, the rental value of the space must be computed on a square footage basis. The value placed on each square foot must be based upon the FMV per square foot for the particular space.

Schools, county agencies, and community college offices are generally owned by private or local government sources. For example, while the local school system might be primarily funded by state dollars, the schools themselves are generally county-owned. The same is true of the offices that house departments like Health, Social Services, etc. In the case of community colleges, those

buildings are often owned by a private foundation. As a result, office and classroom space used as part of a Smart Start program can often be reported as an in-kind contribution towards the match requirement.

The following items must be documented in order for this contribution to be counted.

Floor plan: To document the actual space being contributed, a floor plan of the building or office space that specifically outlines the donated space is needed. If a formal floor plan is not available, a drawing with the specific measurements of the space being donated should suffice. It is also suggested that the floor plan include the address, phone number and contact name for the office space.

Documentation of rental market value per square foot: The rental fair market value of the space must be documented. If the contributor is a landlord who is renting space in the building to others, they will be able to document market value per square foot with a copy of their price list or lease agreement. Similarly, if the contributor is a DSP who is paying rent for the space, the rent cost documented by the lease agreement is often the best way to determine fair market value. If the donor owns the space, the value of the contribution must be reported at fair market (rental) value, as the owner could have charged Smart Start rent to use the space. The rental fair market value can be obtained by contacting a local commercial real estate agency for an appraisal. Alternatively, if comparable commercial space is available for rent in close proximity (e.g., across the street) and the rental price per square foot is publicly advertised or obtainable from the landlord, this value can be used as well. If the value is obtained from a local realtor, the assessment must be provided in writing. If the amount of donated space is consistent from year to year, the documentation of the value of the donated space only needs to be updated every other year. Keep in mind, if the donation is in the form of a discounted rental rate, you must only report, as a contribution, the difference between FMV and the actual cost to Smart Start.

Letter from the contributor: It is highly recommended to obtain a letter from the contributor that states the contribution, details of what the contribution includes (rent, maintenance, utilities, etc., if applicable), square footage, and fair market value computed on a square footage basis. The LP or DSP may save the donor the inconvenience of writing this letter of documentation by writing the letter to them, outlining the details of the contribution and how/why it was valued at a specific amount. That letter would then be signed by the donor and returned to the LP or DSP, certifying the details are accurate and the contribution occurred.

Computing the amount correctly: A common reporting problem is that the value of office or classroom space is not computed correctly. To get the correct value, multiply the total square feet by the value per square foot, which results in an annual amount. This amount **MUST BE** divided by twelve to get the correct monthly amount of the contribution. For example, office space of 1,200 square feet at a value of \$5.80/square foot is \$6,960/year or \$580/month.

Utilities and Other Facilities Costs

Occupancy charges other than rent may also be donated, but can be more difficult to document. Sometimes utilities, phone, and other similar charges are included in the square footage price on office space, or as a component of overhead. LPs must ensure these contributions are not double-

counted, nor included as part of the actual cash budget reimbursed with Smart Start funds.

To count these types of costs as contributions, documentation must include copies of actual bills and documentation to show how the contribution amount was calculated.

Meeting Space

Meeting space may only be counted as a contribution in a few situations. If the organization providing the meeting space does not charge anyone else for the use of the space for meetings, it cannot be counted as a contribution. Therefore, meeting space freely provided by local agencies, churches, libraries, schools, etc. cannot be listed as a contribution. If meeting space is listed as a contribution, documentation must be provided to establish the space is typically rented out for meetings. An invoice or statement from the contributing company with the amount usually charged for room rental, date, and time is the best documentation.

A common example of a reportable meeting space contribution would be ballroom or conference space at a local hotel used by the LP or a DSP. The hotel may have a normal fee for rental of the space for meetings or conferences, but provide the space for Smart Start usage for free or at a discount.

Staff Support

Even though Smart Start funds may include some of the personnel costs for an activity, it may not cover the total personnel costs incurred by the activity. Supervisory and clerical staff time may be reportable as a contribution if Smart Start is not being charged for it. In addition to DSPs with whom the LP contracts directly, some LPs have determined that their local Department of Social Services (DSS) uses county funds to help cover the cost of administration of Smart Start subsidy dollars and are reporting this as in-kind as well. To count staff time, actual time spent on the Smart Start activity must be documented. Estimates are not acceptable. Consider the potential value of the contribution and whether timesheets are already maintained when determining whether to count such contributions.

Full documentation for staff support would include the following:

Confirmation the person is paid with non-state funds: For county agencies, schools, and community colleges, it is essential this question is answered before staff time is reported as an in-kind contribution. If these persons are paid with state funds, their time cannot be counted as a contribution to the match. If they are paid only partially with state funds, the portion of their time paid from non-state sources can be counted, provided it can be documented. For example, Nurse Jones at the Health Department spends all of her time providing a Smart Start funded service, but her salary is paid from blended funds. If 45% of her salary is paid from state sources, then the 55% from non-state sources could be counted.

Timesheet or a log sheet which itemizes the days and hours they are working on behalf of the Smart Start funded project: The donated time can be documented with a functional time sheet, one that documents time spent on various programs including the Smart Start program. If the

donor organization does not use functional timesheets, the staff person can keep a manual or electronic log with the number of hours spent each day working on a Smart Start program. These records must be kept in daily allotments of time. If only weekly or monthly amounts are given, they may be scrutinized and assumed to be only estimates, rather than a reflection of the actual hours spent on the program. These logs or time sheets must be signed by the staff member, as well as a supervisor to certify the time worked on the Smart Start program.

Payroll information: There must be documentation as to the value of someone's time. It can be a copy of their pay stub, a partial copy of the payroll register, or a letter from the finance or personnel office that certifies the individual's rate of pay and reflects the total salary and benefits. This amount would then be divided by 2,080 hours to obtain the hourly personnel cost (assuming a 40-hour work week). After you have received a copy of this information once, you do not need to get it again during the same fiscal year unless their compensation changes.

Calculation example: If someone makes \$30,000 per year as well as an additional \$5,750 in benefits, they have a total annual compensation of \$35,750. Divided by 2,080 hours, this individual has an hourly compensation rate of \$17.19 per hour. Their log sheet shows they worked a total of 16 hours in a pay period on the Smart Start program. That translates into \$275.04 as an in-kind contribution for the program. Please remember, if only 55% of the person's salary is from non-state funds then you would only count 55% or \$151.27.

Time Studies: Some entities refuse to keep timesheets or log sheets that reflect the time being donated. They have completed time studies that confirm the amount of time they are reporting as a donation. In these instances, the LP must obtain detailed information about these time studies and how they arrived at the specific amount of time they are reporting as a donation. Local time studies are only valid for a limited time period – two years at the most. Time studies must be reevaluated on a regular basis to determine whether they are still accurate. There must be a reasonable and legitimate rationale for how they arrived at the specific amount of the donation. Even then, it is not guaranteed that this documentation will be accepted.

Professional Volunteer Services

Professional volunteer hours encompass the services of a lawyer, accountant, doctor, etc. The hours and services they donate must relate to their professional expertise to value their time as a professional service. The value of their time would then be reported at a higher rate than a non-professional volunteer service; it would correlate to their normal billing rates.

To value a person's time at the professional rate of service, the time and value of the service must be documented. It must also be documented that this is a professional providing the service and this service would have been purchased had it not been donated. For example, if a CPA prepares the LP's tax return at no charge, the CPA is saving the LP from having to pay an accountant to prepare the return.

Time: If the volunteer provides services over a number of days and hours, it is best to submit a time sheet or invoice that lists the dates, times, and activities. If the documentation is a timesheet, it must be signed by the volunteer and a representative of the organization, certifying the time donated, value of that time, and type of service provided.

Value: An invoice for the services provided is always an excellent form of documentation. When this is not possible, the value will need to be substantiated in another way. Options for documenting the value of a professional service include a copy of a classified advertisement for the same type of service, a price list from an employment agency, a copy of a wage survey which encompasses the professional service, a copy of their current pay stub, etc. Another independent source that can be used in determining the value of professional services is a website that has accumulated average wage data. The site www.salary.com includes information about a range of jobs. By selecting the job and zip code that would apply, salary range information for that area is provided. A printout of the value used must be kept on file. If the value of their time cannot be documented, the non-professional volunteer rate may be used instead.

Non-Professional Volunteer Services

In the 2000 legislative session, Smart Start legislation was modified to allow the use of an in-kind value for non-professional volunteer hours. The guidance given in this manual is only applicable to what may be counted for the purposes of meeting the Smart Start match requirement. In general accounting practice, non-professional volunteer hours may not be counted as a contribution.

Non-professional volunteers are individuals who provide services to Smart Start, but are not required to have specialized skills or education for the services they provide. This category includes members of your board who attend board meetings. They serve on the board as volunteers providing general oversight for the partnership regardless of which agency they represent. Therefore, board member time volunteered for board meetings or committee meetings may be counted whether or not the board members are being compensated for their time from another source, even if it is a state source. This is a rare circumstance where state-paid time can be counted.

Other volunteers may include local college students helping with clerical work one day per week, individuals who volunteer to help run a community festival during the Week of the Young Child, or individual volunteers who help with story time events for an early literacy activity. In general, a volunteer whose time counts for program match is one providing a service that Smart Start would otherwise need to pay for, if it were not for the generosity of those volunteers.

Situations not considered volunteer time: DSP staff attending a meeting required under their Smart Start contract are not considered volunteers, and therefore their time cannot be recorded as an in-kind contribution.

Individuals that benefit from the provision of services are not providing a volunteer service. For example, parents that attend a Smart Start training are not donating volunteer time to Smart Start, they are enjoying the benefits of a service we fund.

Non-professional volunteer hourly rate: Each fiscal year, the rate at which non-professional volunteer hours will be valued changes. The rate will be communicated to all LPs by NCPC and posted on LPCentral. Per the legislative requirement, this is based on the statewide average wage rate as calculated from data in the most recent annual *Employment and Wages in North Carolina* report. This is not a standard state rate for volunteer time in general, but more specifically a Smart Start rate as defined in Smart Start legislation. Use of this rate outside of Smart Start program match reporting is not appropriate.

Individual volunteer documentation: To use the non-professional volunteer rate and report non-professional volunteer hours as a contribution, a timesheet that details the days, hours, and type of volunteer activity must be provided. This timesheet must be signed by both the volunteer and a representative of the organization for which he/she is volunteering. Please utilize this timesheet or something very similar on behalf of volunteers working for the local partnership and/or the Smart Start-funded project. The local partnership will need to have these volunteer timesheets on hand for review by auditors and monitors. Without these signed and completed timesheets, volunteer time will be disallowed.

Documentation of volunteers attending board or committee meetings: Rather than having 25 separate timesheets from board or committee members, all of them can sign a reporting form and use it as documentation of their volunteer time attending the meeting.

Discounts

Discounts may be reported as in-kind contributions if they are offered specifically to Smart Start. If the vendor provides the discount to most of its customers (or any customer who pays early), the discount does not count as an in-kind contribution. A discount must be shown as a special contribution to your organization above and beyond their usual business practices. To count a discount, the documentation must include an invoice that itemizes what was purchased and what was donated or discounted. The documentation should also include a signed statement, either a notation on the invoice or in a separate letter from the company, which states the discount being provided on the purchase is a special discount being given on behalf of Smart Start (or the project name).

Other Supplies, Materials

Other contributions may include new or used office equipment, supplies, toys, etc.

Donations of new items - If the donor provides their receipt, the receipt can serve as documentation of the value. If a receipt is not available, a price list from a business that sells those items or an advertisement from a sale page showing the item and the price should suffice in documenting the value.

Donations of old/used items – For such items, an advertisement of someone selling such an item from the classified ads in a local Sunday paper or an internet website can be used, provided the value is reasonable. Retail stores or used furniture stores that sell used items may also be willing to provide a price list. A documented value assessment from an independent party may also be used, and a thank you letter to the donor can serve as additional supporting documentation.

Food

With regard to food as a contribution for meetings or programs, it is important to substantiate the cost, time, and need. Receipts for all food items purchased (or if catered, the invoice from the caterer) should be kept on file. An estimate by the donor will not suffice as adequate documentation.

Documenting the time and need is particularly important when you list food as a contribution for a meeting. The documentation should explain: why the food was necessary; was the meeting held around the time of a meal; and the purpose of the meeting that required them to be there at mealtime. Refer to the Smart Start Cost Principles for guidance regarding when food purchases are allowable (or would have been allowable, if not donated). If minutes were taken for a meeting, these minutes should include the beginning/ending time of the meeting, location, the names/number of persons in attendance, and purpose. These facts should be part of the documentation of the contribution.

Requirements for DSP-Level Program Match

The following provisions are derived from Smart Start legislation and must be addressed in the documentation for matching contributions at the DSP or grantee level.

1. Is the contribution **verifiable from the contractor's records**? Is there **documentation** to support the amounts claimed?
2. Are in-kind contributions **quantifiable** in accordance with Generally Accepted Accounting Principles (GAAP) for nonprofit organizations? Examples of what is quantifiable under GAAP may be found in this manual. The one exception to GAAP relates to non-professional volunteer hours. Smart Start's legislation allows non-professional volunteer hours to be valued and counted towards the Smart Start match in addition to the professional volunteer hours allowed under GAAP. There must be objective evidence to support the basis for quantification.
3. Are the cash or in-kind contributions **from sources other than state funds**? No state funds may count towards the match requirement. State funds include any federal funds that pass through a state agency as they are automatically considered state funds as well, and therefore do not count. Federal funds that go directly to the local level (e.g., Head Start) as well as local government funds can count.
4. Are the contributions **in addition to existing resources** for the program? If Smart Start funds are used to expand an activity rather than initiate a new one, are the contributions related to the expansion effort? For example, if three preschool classrooms already existed and Smart Start funds were used to start a new preschool classroom, we could only count contributions or funds leveraged related to the new preschool classroom we were funding.
5. Are the contributions **a direct result of the Smart Start program**? If the contribution was not generated as a result of the Smart Start activity and is just a general contribution to the DSP's organization or to a non-Smart Start-funded activity, it cannot be reported as a contribution to Smart Start. Also, are the contributions considered reasonable and necessary for the proper and efficient accomplishment of the program activities? If the contribution is not necessary to the successful completion of the activity and/or the activity goals, it cannot be reported as a contribution.
6. Are the contributions **allowable under federal and state law**? Contributions must not conflict with any federal or state law, including Smart Start legislation.
7. Are the contributions **included within the scope of the budget or the contract activity description**? Contributions must be directly (not indirectly) related to what is in contract. This means if the contribution is related to the activity, but falls outside of the scope of the contract activity description (CAD) and the activity's full proposal, it may be disallowed.
8. Are the contributions **reported to the LP in the same manner as reimbursable expenses**?

Contributions That Cannot Count Toward the Required Match

State Funds, or Federal Funds Passed Through a State Agency

Funds received from state sources cannot be counted as matching contributions for Smart Start. The rules for other programs may differ, but Smart Start legislation is very specific on this issue. This includes:

- Funds that do not originate from the state level, but come through a state agency.
- Funds received by one LP from another LP, such as program fees and MAC site fees, as they are likely to be Smart Start funds. Unless an LP can obtain documentation that funds received from another LP are not state funds, they will likely be disallowed.
- In-kind contributions that derive from state funds or state-funded assets. For example, if a state agency such as the Health Department, does not charge all of the personnel costs associated with staff time spent on a Smart Start program, but the donated staff are paid with state funds, the donation cannot be counted.

Prohibited Expenditures

A contribution of or for something that Smart Start is prohibited from funding, such as by legislation or the Smart Start Cost Principles, is not considered a match to Smart Start.

Some examples include:

- Travel mugs with your LP's logo donated by a new marketing firm in town. (Promotional items are a prohibited expenditure per the Cost Principles.)
- Door prizes donated by local merchants for a parent or provider event that include a wine basket, a large jar of candy, a spa gift certificate, and tickets to an adult event. (The Cost Principles prohibit expenditures for alcohol and goods or services for personal use. Door prize donations consisting of early childhood materials such as books and classroom supplies would be allowable.)

Contributions Indirectly Related to an Activity

Other than cash contributions at the LP level, there must be a direct correlation between the contribution and the Smart Start activity as specified in the grant or Contract Activity Description (CAD). For example, if the purpose of the activity is to hire a Parent Educator at a local family resource center, other related costs absorbed by the resource center may be disallowed. However, if the CAD is written such that the purpose is to provide a series of new parenting classes, and explains the LP will fund the position of the Parent Educator while the resource center will provide the space and materials, those related costs are more likely to be counted as matching contributions. By establishing in the CAD that it is a joint effort and the resource center is expected to contribute in certain ways, it is now clear these contributions are matching Smart Start's resources. Similarly, if the LP issues a grant to a child care center and a 10% match is required by the grant agreement, the agreement sets forth the match expectation and it could be counted.

DSP/Contractor Contributions > 100% of Smart Start's Investment

The Office of the State Auditor has indicated that amounts reported by a DSP or Contractor in excess of the related Smart Start investment are not allowable as match; therefore, NCPC will disallow DSP or contractor contributions that exceed 100% of the Smart Start investment. For example, a new program for young children at the local public library will cost \$7,000. Due to budget constraints, the LP can only fund \$3,000 of the cost this year. A generous businesswoman comes forward and contributes the remaining \$4,000 to the public library for the remainder of the costs of this subcontracted Smart Start program. Any portion of this amount reported by the library (the DSP) over Smart Start's \$3,000 investment will be disallowed.

Note that contributions received directly by a Local Partnership are not limited in this way.

In rare cases, there may be a legal or contractual matching requirement that establishes Smart Start funds were instrumental to leverage another source of funds, and reportable matching at greater than 100% may be allowed. For example, a local foundation signs a contract with a local service provider to fund an activity with \$2 for every \$1 funded by another source. If Smart Start funds \$5,000 (as an approved activity), and the foundation contributes another \$10,000, the \$10,000 could be counted as a match. This exception only applies when there is a legal and binding requirement on the other party to match Smart Start funds at greater than 100%.

Some Contributions Cannot be Counted Unless Prorated

If multiple funding sources support a Smart Start activity, the amount of the contribution may need to be prorated to determine the proper amount that is reportable as Smart Start program match. For example, an LP supports an activity funded with \$30,000 of Smart Start funds, \$40,000 from a corporate grant (with a match requirement), and \$20,000 of fundraised private funds. The corporate grant may have a match requirement that limits reciprocal matching, and/or the ability to double-count matching private funds. In this example, the LP must refer to the corporate grant terms and conditions to determine how match can be applied for each requirement.