



# Fair Market Value

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# Fair Market Value – Key Points

## Items involving in-kind contributions

- The CFI/ORF recognize eligible items involving in-kind contributions at fair market value. There may be a request for consideration of an in-kind contribution by suppliers but the PI should not ask for a specific amount or percentage, since this is to be provided by the supplier on a voluntary basis.
- During the purchasing process, exercise careful judgment and ensure that in-kind contributions are real and properly valued.

# Key definitions in Determining Fair Market Value

- **Fair Market Value (FMV)** – This is the agreed upon price in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and not compelled to transact
- **Normal Discount** – The discount a supplier would normally offer to an institution, taking into consideration factors such as the institution's current volume of transactions and location

# Key definitions

- **Educational Discount** – The discount offered to an institution due to its educational status
- **Net Selling Price** – The cash consideration paid or payable by the institution

# Key Definitions:

**Fair**

**Market Value** = List Price – Normal Discount – Educational Discount

# Key Definitions:

**Fair Market Value** = Net Selling Price + In-Kind Contribution

**In-Kind Contribution** = Fair Market Value – Net Selling Price

# In-kind Contributions from Suppliers

- To help establish the fair market value, a confirmation from the supplier is required (e.g. quote, competitive bid document, invoice or letter) of the price that would have normally been charged to the institution for the item or service (i.e. the price after normal and educational discounts but prior to any discount offered as a contribution toward the CFI/ORF-funded project).

# In-kind Contributions from Suppliers

The institution should also consider other readily available information such as:

- Other bids received as part of a competitive bid process and that provide useful market comparisons;
- Cash consideration paid in a previous purchase of the same (or similar) infrastructure item, where the purchase was not related to a CFI/ORF-funded project and did not involve an in-kind contribution
- Institution's experience with a supplier's discount structure.



# Reporting of items involving in-kind contributions

Items involving in-kind contributions must be reported at fair market value. This constitutes the eligible cost to be reported to the CFI/ORF.

Example:

<b>List price</b>	<b>\$500.00</b>
Normal discount	(\$20.00)
Education discount	(\$80.00)
<b>Fair market value</b>	<b>\$400.00</b>
CFI discount	
(In-kind contribution)	(\$100.00)
<b>Net selling price*</b>	<b>\$300.00</b>
*does not include taxes	

# Reporting of items involving in-kind contributions

## Taxes

- Taxes associated with the cash portion of an item involving an in-kind contribution, net of any rebate received, can be included in the eligible cost reported to the CFI.
- Taxes must not be calculated and reported for the portion of the item considered an in-kind contribution.

# Tracking of expenditures and contributions and financial records

- A verifiable audit trail must be maintained for all transactions reported, including in-kind contributions.
- Financial records must identify the various funding sources and the **full** actual cost of all eligible items (i.e. items presented in the proposal or updated budget and/or the final financial report), even if the cost of these items exceeds the budget cost.

# Supporting Documentation

The institution must keep on file the following supporting documentation:

## Expenditures

- Purchase requisition
- Request for bids
- All bids received following a competitive bid process
- Documentation justifying an exception if a competitive bid process was not undertaken

# Supporting Documentation

## Expenditures continued....

- Summary form documenting bids received and the evaluation and rationale for selection of the successful supplier or service provider
- Purchase Order or Contract
- Receiving Document of Statement of Work Performed
- For travel costs – boarding passes (if avail) or other evidence supporting that travel has taken place

# Supporting Documentation

## Expenditures continued....

- Invoice
- Proof of Payment
- For Personnel & Construction Costs – please see Guide

# Supporting Documentation

## Contributions

- Agreement or letter confirming the amount contributed and the conditions of funding (if any)
- Proof of receipt

# Supporting Documentation

## Other

Supporting evidence of key controls in place. For example:

- Evidence of approval of purchase requisition
- Purchase order
- Receipt of goods or services
- Payment
- Review of infrastructure changes and request for prior approval
- Reconciliation of financial records and financial reports



# Examples