

# IN-KIND CONTRIBUTIONS IN FINANCIAL REPORTS OF PATIENT ORGANISATIONS



## CONTEXT

It is often difficult for patient organisations (POs) to have a diversified and balanced set of sources of income. Pharmaceutical companies and sometimes governments are prominent as a source of income. However all POs have something in common: volunteers. This resource is often neglected in reporting the financial situation of POs, mostly due to a lack of rules and methodology on how to do this and because accountants are not willing to develop this type of data, which are disconnected from the actual financial flows.

EURORDIS has developed a set of principles / recommendations on how to include volunteer activity in financial reporting, based on its own experience (7 years of accounts audited by Deloitte, accepted by DG Health, DG Research and DG Employment, audited twice by CHAFAEA, the executive agency of DG Santé).

### Guiding principles:

1. **The role of a financial report is to give a true & fair view of the financial position of an organisation.**
2. **In the context of advocacy it is also important to show where the potential conflicts of interests are.**

## LET'S START WITH AN EXAMPLE TO ILLUSTRATE THE UPCOMING PRINCIPLES:

**A patient organisation is running (all costs are totally fictive and may look irrelevant depending on the geographical perspective):**

- 5 dynamic volunteers
  - working the equivalent of one day per week each
  - monthly cost of equivalent full time staff is EUR 1,800 per month
- Office space offered by the local authority at a cost of EUR 7,000 per year.
- Audited yearly accounts provided by a friend of the organisation at a cost of EUR 2,000 per year.
- Flyers printed pro bono at a cost of EUR 500.
- Individual donors + members contributing EUR 2,400.
- 3 pharmaceutical companies contributing EUR 30,000.

There are two ways to present the accounts:

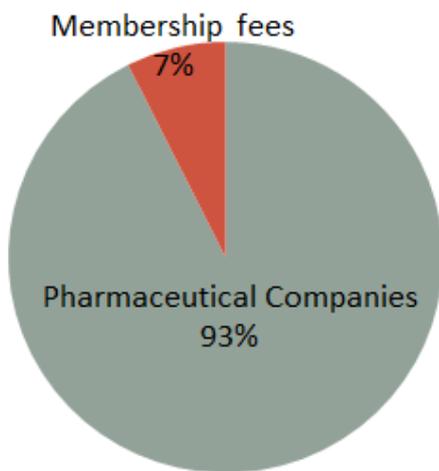


Figure 1: no in kind

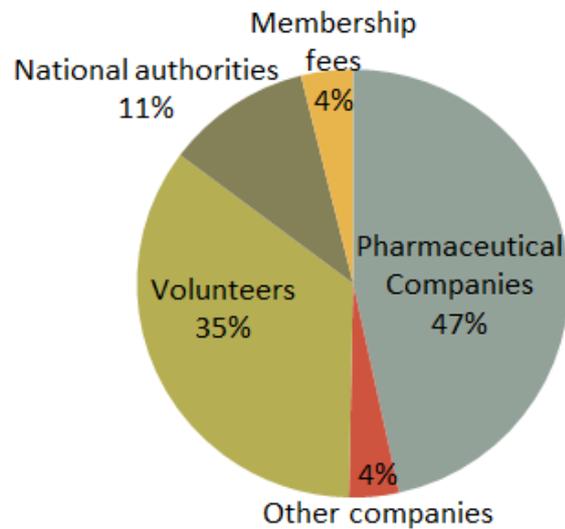


Figure 2: including in kind

Figure 1: Does not show the variety of resources of the organisation, it gives a false image of the organisation.

Figure 2: Gives a fairly accurate idea of the level of independency of the organisation and the variety of its resources.

## WHAT IS PUBLISHED ON THIS MATTER?

On eurordis.org, in the Policy on Financial Support by Commercial Companies:

To maintain its independence, EURORDIS has set itself the objective to balance revenues, **both monies and in-kind**, from these 3 different sources in its Strategy 2010-2015. The ideal goal is to reach the following distribution: 1/3 from Patient Organisations including membership fees to EURORDIS, AFM-Telethon and the **economic valorisation of volunteers contribution**, 1/3 from the public sector including the European Commission (EC) and national authorities and 1/3 from the private sector including not-for-profit organisations and commercial companies, both from the health and non health sectors.

In its annual budget, EURORDIS limits the total financial support it receives from commercial companies in the health sector to the total amount of funding provided by Patient Organisations including its membership fees, the AFM-Téléthon and **volunteers**.

EURORDIS may accept financial or in-kind commercial companies' support

### 3.6 Other **In-kind** support

Commercial companies may also make non-monetary contributions to EURORDIS, such as:

- Seconded staff or professional services provided without charge
- Equipment donations (e.g. computers and other equipment)
- Meeting rooms
- Other non-monetary contributions (e.g. furniture, printing services)

On the European Commission's website ([www.ec.europa.eu/chafea/](http://www.ec.europa.eu/chafea/)) in the operating grant's guide for applicants:

Transparency: All activities should be published in the applicant's annual report and all information on funding is to be made available to the public via the applicant's website, broken down by type (core and project funding, **contribution in kind**) and by funding entity.

### **Additional information**

- ⇒ **Contributions in kind** are services or goods used for the implementation of the organization's/network's workplan and provided to the applicant free of charge, e.g. staff seconded to beneficiary without financial flow (i.e. their salaries paid directly by beneficiary), work by voluntary helpers, use of buildings, office space, etc
- ⇒ **Contributions in kind are not accepted as eligible costs** to be taken into account for calculating the grant. As they provide added value for the work programme, they may be declared in the initial budget and final financial report, thus giving a precise idea of the work programme value, but they need not to be justified to the EAHC. If the applicant opts to include them in his report, they must be listed **separately** from the other costs given its nature of exception at the time of the negotiation phase.

Due to the need for transparency, the EC requests that POs publish the in-kind contributions with the other sources of funding. Interestingly, they use “broken down by type” which means that there is a need to have a total and specify which part of this total is in-kind contributions.

For this reason, a member state cannot prevent POs from doing this, although they could require that two accounts are published; one with financial flow only and one that includes in-kind contributions.

As a side note, we need to underline that for transparency purposes, in-kind contributions definitely need to be included into accounts: a pharmaceutical company could make an in-kind donation and this should not be hidden from the public.

## **METHODOLOGY**

As in-kind contributions are disconnected from the bank accounts, the finances need to be calculated. As any calculation, it needs to be built on solid evidence which is directly connected to verifiable facts and data.

Patient organisations exist amidst several stakeholders who have different views. The following methodology is to be used as a guide to be sure that your data is solid and opposable in case you have an audit or a question raised by one stakeholder. It will also ensure you have the level of transparency requested by DG Health.

### **1. VOLUNTEERS**

#### **1.1. IDENTIFY YOUR VOLUNTEERS**

3 criteria to define a volunteer:

- someone you would have paid in a standard work environment
- someone speaking on your behalf
- someone over whom you have control

Your volunteer must be aware that you consider them a volunteer. Not to be confused with a partner (who you would normally not pay, but would speak for themselves and not on your behalf and over whom you have very limited control).

### **1.2. CALCULATE THE VOLUME OF HOURS**

We recommend verifying with the volunteers at least 80% of the estimated volume of hours and keeping track of this validation/confirmation.

### **1.3. HOURLY RATE**

This can be an average of equivalent salaries in your organisation or an estimation if you don't have any employees with a similar role.

At EURORDIS we have 3 different hourly rates for volunteers:

- Representation in committees, conferences, etc.
- Moderation of online communities
- Office support

### **1.4. OVERHEADS**

You can add 5 to 25% for the office space / furniture / phone, etc. that you would normally have to pay for staff.

At EURORDIS we use 5%.

Volunteers' names are not mentioned in the financial report, only the global contribution they represent.

## **2. FREE OFFICE SPACE**

Ask your host for a proforma invoice or use data published on the internet for equivalent offers in the neighbourhood.

At EURORDIS we update this data every three years to avoid unnecessary fluctuations in our accounts

## **3. SERVICES**

Use a proforma invoice from the provider or an email with clear indication of the amount which would have been charged (VAT included).

You can use prices published on the website of the provider.

Recommendation: Do not invent numbers if you don't have evidence from the provider.

## **4. AUDIT**

Include the verification of your in-kind contributions by your auditor; publish them on your website as requested by DG Health.

## **CONCLUSION**

This methodology does not create new rules but rather helps Patient Organisations by providing guiding principles on how to give the general public a fair and true perception of the organisation and to fulfil the transparency requirements made by the European Commission to all POs in Europe.

## QUESTIONS AND ANSWERS

- Does each volunteer record the hours worked themselves, or does EURORDIS record it and send it to them for validation at the end of the year?

It is a combination of both, an estimation is sent to the volunteer who then validates or amends the figures. The overall volume of hours is validated at 90% minimum at EURORDIS but 80% should be sufficient (even though theoretically it should be validated at 100%).

- For example: are the hours spent at a CEF-meeting included in the EURORDIS accounts and if so could they be included in the PO's accounts as well?

Here we can refer to the section "1.1. Identify your volunteers":

### 1.1 IDENTIFY YOUR VOLUNTEERS

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Using the example, we can use these guidelines to determine whether people sent by a member organisation to attend the CEF or CNA are volunteers:

a) from a EURORDIS perspective:

- Someone EURORDIS would have paid in a standard work environment --> **no**
- Someone speaking on the behalf of EURORDIS --> **no**
- Someone over whom EURORDIS has control --> **no**

So, **for EURORDIS**, time spent at a CEF meeting by members would not count towards volunteering.

b) From the participating organisation's perspective

- Someone the PO would have paid in a standard work environment --> **yes**
- Someone speaking on the behalf of PO --> **yes**
- Someone over whom the PO has control --> **yes**

So, **for the PO** time taken at a CEF meeting **does** need to be taken into account as volunteering.

In another example, if someone speaks on behalf of EURORDIS at a conference we can determine if they are classified as a volunteer:

- Someone EURORDIS would have paid in a standard work environment --> **yes**
- Someone speaking on the behalf of EURORDIS --> **yes**
- Someone over whom EURORDIS has control --> **yes**

In this case **they are a EURORDIS volunteer**.

At the same conference this person could also be considered a volunteer for a PO if they are also:

- Someone the PO would have paid in a standard work environment
- Someone speaking on the behalf of the PO
- Someone over whom the PO has control

If this is the case, where both organisations count this person as a volunteer, it would mean that the policy, strategy and views of the organisation and EURORDIS are perfectly aligned concerning the topic of the conference.

**- I understand that the hours spent at a meeting are easy to determine, however how can we count the hours spent in preparation and follow up? Are a fixed amount of hours used?**

Not only is this difficult to count but it is also very subjective to how each individual works, some people spend much longer preparing than others and this is why the volunteer needs to validate/amend the estimation. The volunteer should not envisage their activity like a consultant who has to count every hour they spend on a case, but rather present a good estimation of the work that they do. Due to the subjective nature of this task, there are no fixed rules and unnecessary constraints for measuring the hours spent volunteering. An overall estimation is valid if it has been checked by the volunteer who actually did the work. EURORDIS strives to be a lively organisation led by principles, not a bureaucratic organisation led by rigid rules which is why we use this method of estimation.

**- Is travel time included in hours spent volunteering?**

Please refer back to section 1.1: "someone you would have paid in a standard work environment".

If a paid member of staff goes to China for work, they would not count the day spent on the plane as a day off. So, using the same principal for volunteers, travel time is included in the calculation.

**- What about everyday tasks, e.g. emails and phone calls? Are these included and if so how are they counted? Are there any standards?**

This can be determined using a similar method to the previous two questions. As it is work that would be paid if your volunteer was a member of staff, it should be estimated and the volunteer can validate/amend your estimation (at a minimum of 80%).