

## In-kind Contributions to Projects

Updated January 2021

The purpose of this document is to provide program funding guidance as it relates to In-kind contributions. Specifically, this guidance will address:

- the type of In-kind contributions that can be made to Technology Leadership (TL) Projects and Innovation Ecosystem (IE) Projects; and
- how the In-kind contributions are recognized and how the OSC can match the contribution within the Technology Leadership (TL) program.

Each project is unique and often the circumstances where an In-kind contribution is to be made to a project is also unique. This document provides broad guidance on program funding requirements and parameters; however, the OSC encourages each project team to consult with OSC to receive additional clarity and project specific context when needed.

### Definition and Examples of In-Kind Contributions

In-kind contributions to projects are defined as cash-equivalent goods or services that replace an incremental expense that would have to be purchased if not provided by the Member (e.g. providing free access to equipment). In-kind contributions must be relevant and central to the activities and objectives of the project and must be eligible project costs as per the OSC Cost Eligibility Guidelines.

Examples of In-kind contributions include, but are not limited to, the following:

- Materials and supplies that are incremental to the project and would have otherwise been purchased.
- An existing asset that is used directly in the project and would have otherwise been purchased or rented.
- Sourcing and providing technical expertise from a third party to a project for free and would have otherwise been subcontracted.
- Workspace that is incremental to the project and would have otherwise been rented.
- Subscriptions required for research that are provided to a project for free and would have otherwise been purchased.

*Note: All wages, salaries and non-discretionary benefits incurred by project participants are **considered cash costs and cannot be provided as an in-kind contribution.***

## Valuation & Supporting Documentation

In-kind contributions must be valued at Fair Market Value ("FMV").

### ***Technology Leadership Program***

If the Industry Member is seeking a match on their In-kind Contribution, the FMV of the good or service contributed In-kind to the project must:

- be supported by a calculation that shows how the value of the good or service was determined;
- be derived from independent supporting evidence:
  - Relevant purchase price information for materials & services contributed to the project In-kind
  - Comparable market rental rates for equipment provided to the project In-kind (i.e. daily rental rate)
  - Current market rates for third party technical experts that are providing services to the project for free;
  - Comparable market rates for space that is being provided to the project In-kind (i.e per square foot (psf) market rates for a comparable space)
  - For discounted cash cost in-kind (as referred to in [Appendix A](#)):
    - previous sales history
    - benchmark prices for first-customer scenarios where no FMV/price list has yet been established – use of the price list of a comparable product or company and explaining why the product or company is comparable. If a project participant is selling their product or service on a “first customer” basis and does not have historical invoices, this is the method that would be used.
  - If another method of establishing FMV is contemplated, OSC should be consulted.
- provide documentation to support all assumptions; price lists, quotes from suppliers, supporting letters, etc.).

For Industry Member's not seeking a match on their In-kind contribution, and for all other Member's not seeking a match on their In-kind contribution (Associate Members, Government funders), the Member must take reasonable steps to ensure that the value of the In-kind contribution made represents a price that would have otherwise been paid for the good or service in a non-arm's length transaction. The Member must attest to this and complete the FMV Attestation for Non-Matched In-kind Contributions form.

### ***Innovation Ecosystem Program***

All In-kind contributions made to Innovation Ecosystem projects must be contributed at FMV. The Member or Government Funding provider must take reasonable steps to ensure that the value of the In-kind contribution made represents a price that would have otherwise been paid for the good or service in a non-arm's length transaction. The Member or Government Funding provider must attest to this and complete the FMV Attestation for Non-Matched In-kind Contributions form.

## **Maximum In-kind Contributions to Projects**

### ***Technology Leadership program***

In-kind contributions to a project cannot exceed 25% of total Industry Contributions to the project. OSC does not require a maximum dollar limit or maximum percentage limit of In-kind contributions that one Industry Member can make to a project, as long as the total In-kind contributions to the project (from all Industry Members) does not exceed 25% of total Industry Contributions.

### ***Innovation Ecosystem program***

In-kind contributions to a project cannot exceed 25% of total project funding.

## **OSC Funding for In-kind Contributions**

### ***Technology Leadership program***

Funding requested from OSC within the TL program must be matched by Industry Member contributions according to the project co-funding rate or program reimbursement rate. This means that if OSC is asked to provide \$2 million in funding and the program co-funding rate is 50%, Industry Members must provide \$2 million in funding as well (\$4 million in total eligible project costs).

Industry Member contributions to projects are either cash (e.g. cash payments for the purchase of materials and supplies, equipment, wages and salaries for employees of the project, etc.), or In-kind (see above definition). The OSC provides funding to projects by reimbursing Funded Eligible Project Costs incurred by Industry Members (see definition of Funded Eligible project costs in OSC Cost Eligibility Guidelines). The funding provided by the Industry Member that is not reimbursed by the OSC is often referred to as "Industry Match" and sometimes, "Industry Contribution". In addition, an Industry Member's In-kind contribution to a project also counts towards total Industry Match. This means that, while the OSC cannot directly reimburse an In-kind contribution, the OSC provides

matched funding for In-kind contributions by reimbursing other Funded Eligible project costs at a higher rate than the overall project co-funding rate to compensate.

Scenario example:

Member A Co. has a total project budget (of eligible project costs) of \$1,000,000, which is made up of \$800,000 in purchases for materials and supplies, wages, etc. and the remaining \$200,000 of the project budget is an In-kind contribution. The OSC co-funding ratio/reimbursement rate for this project is 50%. While the OSC will not directly reimburse the In-kind contribution, the \$200,000 FMV of the In-kind contribution is recognized when determining the overall amount that OSC can match or fund. Therefore, the OSC could contribute to the project as follows:

Type of Expense	Total Cost	Funding			
		Industry Member Contribution	% of total	OSC Contribution/Funding	% of total
Funded Eligible Cash expense - materials & supplies, wages, etc.	\$800,000	\$300,000	30%	\$500,000	50%
In-kind expense	\$200,000	\$200,000	20%	\$0	0%
<b>Total</b>	<b>\$1,000,000</b>	<b>\$500,000</b>	<b>50%</b>	<b>\$500,000</b>	<b>50%</b>

There is special guidance that exists for Industry Members that sell a good or service as part of their normal business model and would like to contribute that good or service to a project as an In-kind contribution, but also receive a reimbursement for a portion of the FMV of the good or service. Please refer to [Appendix A](#) for more information.

### ***Innovation Ecosystem program***

OSC does not provide funding or reimbursement for In-kind contributions within the Innovation Ecosystem program.

## Appendix A

### Special Guidance - Discounted Cash Cost In-kind Contributions - Technology Leadership Program only

Special guidance exists for Industry Members that sell a good or service as part of **their normal business model** and would like to contribute that good or service<sup>1</sup> to a project, but also receive a reimbursement for a portion of the FMV of the good or service. To do this, the Industry Member contributes their good or service to project at a discount, and the discount is considered an In-kind contribution.

This option is available in limited circumstances and Discounted Cash Cost In-kind contributions require pre-approval from the OSC.

The Industry Member can use this approach provided they meet certain conditions:

- 1) They normally sell the good or service as part of their regular business model; or
- 2) Project partners would be their “first customer” for a product or service that they are preparing to sell as part of their regular business model. This supports program intent of helping companies grow and commercialize ideas by allowing project partners to be “first customers” at a discounted cost.

There are two ways the Discounted Cash Cost In-kind contribution can be applied:

- 1) as a direct claim to the OSC (Member to OSC); or
- 2) as a sale to another project partner (and Industry Member) at a discount, where the other project partner (and Industry Member), then claims the cost Incurred to the OSC for reimbursement (Member to Member).

#### 1) Discounted Cash Cost In-kind Contribution – Member to OSC

To receive reimbursement for the contributed good or service, the Industry Member will issue an invoice directly to the OSC. The invoice must show the FMV of the good or service, less a discounted

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<sup>1</sup> This excludes services that include contracted labour. Project participants that provide contracted labour services as part of their normal business model and wish to contribute these services to a project must undertake these project activities as either a Member (as a Cash contribution where labour and direct materials are contributed at cost), or as a sub-contractor only, not both. Examples of services that do not involve labour could be subscriptions, web hosting, among other sorts of digital services.

amount (the In-kind contribution). The discount rate applied must be equal to “1-x%” where X is the OSC project co-funding rate.

Invoice Example:

INVOICE		
To: Canada's Ocean Supercluster		
PO Box 338 STN C		
St. John's, NL		
A1C 5J9		
FMV In-Kind Contribution		\$500,000
Less: Discount	50%	(\$250,000)
Amount Due	50%	\$250,000

Scenario Example:

Member B Co. wishes to provide software licenses to the project to be used by staff working on the project. Member B sells software licenses as part of their normal business model and therefore has access to market prices. Member B would like to be reimbursed for 50% of the FMV of the software. The FMV of these software licenses is \$500,000.

Member B issues an invoice to the OSC showing:

- the FMV of \$500,000 for software licenses;
- a discounted portion of 50% (Member B’s In-kind contribution); and
- shows an amount payable of 50% of the FMV, or \$250,000.

The OSC reimburses \$250,000 to Member B.

Member B's In-kind contribution which is eligible Industry Match is \$250,000. As the OSC reimburses the remaining \$250,000, this is a cash contribution from the OSC to the project and matches the \$250,000 In-kind contribution from Member B. The total cost and funding breakdown would be as follows:

Type of Expense	Total Cost/FMV	Funding			
		Industry Member Contribution - In-kind	% of total	OSC Contribution/Funding	% of total
Materials & Supplies - software licenses (Part In-kind; Part Cash)	\$500,000	\$250,000	50%	\$250,000	50%
<b>Total</b>	<b>\$500,000</b>	<b>\$250,000</b>	<b>50%</b>	<b>\$250,000</b>	<b>50%</b>

## 2) Discounted Cash Cost In-kind Contribution – Member to Member

To receive reimbursement, the Industry Member will issue an invoice directly to another project participant (and Industry Member). The invoice must show the FMV of the good or service, less a discounted amount (the In-kind contribution). The discount rate applied would be negotiated between the two Industry Members. The other Industry Member who is purchasing the good or service can then claim the amount they paid as an eligible project cost, and receive reimbursement for a portion of this amount from the OSC. The portion of the discounted invoice that the other Industry Member is not reimbursed for as part of their claim counts as a Cash contribution to the project.

Invoice Example:

<b>Member B Co. (Industry Member)</b>		<b>INVOICE</b>
Invoice Issued to:		
Member C (Industry Member)		
Address		
FMV In-kind Contribution		\$500,000
Less: Discount	20%	(\$100,000)
Amount Due	80%	\$400,000

Scenario example:

Member B wishes to provide software licenses to the project to be used by staff working on the project. Member B sells software licenses as part of their normal business model and therefore has access to market prices. Member B would like to be reimbursed for 20% of the FMV of the software. The FMV of these software licenses is \$500,000.

Member B issues an invoice to the Member C showing:

- the FMV of \$500,000 for software licenses;
- a discounted portion of 20% (Member B's In-kind contribution); and
- shows an amount payable of 80% of the FMV, or \$400,000.

Member C pays \$400,000 to Member B.

Member C completes the OSC Detailed Claim and Reconciliation Submission Form and includes the invoice they have paid to Member B. The project co-funding rate in this scenario is 50%. Therefore, once the claim has been approved, the OSC pays \$200,000 to Member C.

Member B's In-kind contribution which is eligible industry match is \$100,000 and can therefore request reimbursement of other funded eligible project costs incurred at a higher rate to match OSC funding against their \$100,000 In-kind contribution.

Member C's Cash contribution to the project is \$200,000 which was matched by OSC's \$200,000 reimbursement.

The total cost and funding breakdown would be as follows:

Type of Expense	Total Cost/FMV	Funding					
		Industry Member B Contribution - In-kind	% of total	Industry Member C Contribution - Cash	% of total	OSC Contribution/ Funding	% of total
Materials & Supplies - software licenses (In-kind)	\$500,000	\$100,000	20%	\$200,000	40%	\$200,000	40%



<b>Total</b>	<b>\$500,000</b>	<b>\$100,000</b>	<b>20%</b>	<b>\$200,000</b>	<b>40%</b>	<b>\$200,000</b>	<b>40%</b>
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At this point, Member B's In-kind contribution is not being matched by the OSC. If Member B would like to receive matched funding from the OSC in the amount of \$100,000, Member B would need to spend \$100,000 on other Funded Eligible project costs (cash costs) for OSC to reimburse. OSC would reimburse these costs at 100% to compensate. To illustrate, let's say Member B incurs \$100,000 in wages. The total cost and funding breakdown would be as follows:

Type of Expense	Total Cost/FMV	Funding					
		Industry Member B Contribution - In-kind	% of total	Industry Member C Contribution - Cash	% of total	OSC Contribution/ Funding	% of total
Materials & Supplies - software licenses (In-kind)	\$500,000	\$100,000	20%	\$200,000	40%	\$200,000	40%
Wages	\$100,000				100%	\$100,000	100%
<b>Total</b>	<b>\$600,000</b>	<b>\$100,000</b>	<b>20%</b>	<b>\$200,000</b>	<b>40%</b>	<b>\$300,000</b>	<b>40%</b>