



Gift vs. Sponsored Project Determination

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Responsible Officer(s):	Donald Brezinski, Senior VP Institutional Advancement
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Introduction

Funding derived from sources outside the University is an essential component of the University's financial health and its ability to undertake and sustain important research, scholarship and education. This guidance is intended to facilitate the appropriate classification of gifts vs. sponsored programs and to ensure that external funding directed to the University receives the proper compliance review, administrative oversight, and monitoring.

Reason for Guidance

The University must manage all funds received in accordance with applicable federal, state, and local laws, and with the specific terms and conditions of any gift, grant or contract. The University's approval, negotiation and agreement processes as well as the accounting, budget practices, oversight, and compliance practices differ depending on whether funds received are categorized as a gift or as a sponsored award. The classification of external funding as a gift or sponsored project serves as an important step in ensuring that the appropriate accounting and compliance treatment is used.

Roles and Responsibilities

In many cases, the determination and between a gift and a sponsored award is a straightforward, while in other cases, the distinction may be ambiguous. Although no single factor distinguishes a gift from a sponsored project, there are typically normal factors indicative of each. The term "grant" or "gift" in a sponsor agreement does not necessarily determine the classification of the award as a sponsored project or gift. The final determination will be made by the Office of Institutional Advancement.

Statement of Determinants

Gifts typically carry no reciprocal obligations between donor and recipient, and are often unrelated (or only indirectly related) to the business interests or mission of the donor. Therefore, in general, a gift may be an unrestricted donation to the University, or a donation whose uses may be restricted to an academic area or to a defined group of academic, departmental or other University activities (a "restricted gift"). Within the restrictions set by the terms of a gift agreement, the specific ways in which funds are used, and the methods of implementing the intent of the donor, are left to the discretion of the University. When restricted or unrestricted gifts are received, the University typically enjoys broad latitude in how to use the gift funds, and the University, rather than the donor, chooses what specific faculty members and students may participate in the activities supported by the gift. A gift generally has no time limit for its use and expenditure. A gift may be directed by a donor to support the work of a specific department or faculty member, but in these cases, the department or faculty member typically would have broad discretion as to the design and implementation of, and specific expenditures to support, specific academic activities for which funds received would be used. Although it is not unusual for a donor to expect a report on the general uses of funds donated (for example, a list of activities or projects that have been supported by a gift) or even a report on line-item expenses, a donor may not recoup gift funds. If a gift made for a restricted purpose has not, however, been spent

according to the donor's restrictions, a donor may have grounds to rescind and recoup the gifted funds.

In sponsored awards (which include sponsored grants and contracts), however, the business interests or mission of the source of external funds is most often related directly to the uses for which the funds are put by the recipient. Because sponsors are concerned that their funds be used to support activities that bolster the sponsor's own mission or interests, sponsors typically provide funding for sponsored awards on the basis of a specific project or research plan and budget, for a specified period of time, with funds unused at the expiration of the time period reverting to the sponsor. The plan most often involves an identified University faculty or group of faculty as the academic project leader(s), and specifies goals and objectives, as well as the methodologies and approaches to be used, and it is to pursue the program or research plan that the funds are typically awarded. Sponsors expect the University to be fully accountable for assuring that the program or research is conducted with financial, ethical and scientific integrity and in compliance with all applicable federal and state laws and regulations. Sponsored contracts (which typically are contracts for sponsored research), unlike grants, are awarded for the pursuit and completion of specific program or research objectives or tasks, or the delivery of specific products, within specified timelines. Sponsors of sponsored contracts hold the university accountable for successful and timely completion of the work and "hand-over" of the contracted deliverables. In a sponsored award (either grant or contract), both the University and its faculty are usually responsible for reporting on progress and results to the sponsor at intervals or milestones identified in the grant or contract. Sponsors usually stipulate as part of the terms and conditions of an award that they have discretion to examine, even on a line-item basis, the expenditures of the grant or contract funds, and to disallow and demand repayment of any funds deemed by the sponsor to have been expended for purposes other than direct support of the defined activities. If the funded program or research is not pursued, or the contracted deliverables not attained, sponsors often reserve the right to recoup all or some of the sponsored award from the recipient.

In some cases, the distinction between a gift and a sponsored award (grant or contract) is ambiguous and requires consideration of many factors, including but not limited to the mission of and potential benefit received by the funder, the value exchanged; the scope of work; whether there are any defined activities and, and if so, their nature and the specificity with which they are defined; the terms of accountability for use of funds and deliverables; and – in case of failure to complete the defined activities – the ability of the funder to recoup the funds provided or to obtain a refund (or receive a reversion) of unused funds. Alternately, some external funding can initially resemble a gift because its terms may lack detail about activities to be funded but may require a mechanism by which a funder would be asked periodically to approve specific program or research activities and/or specific uses of portions of funds; such funding would therefore likely be considered as a sponsored award, because of the lingering control of the funder over specific activities for which the funds would be used and/or the budgets for those activities.³

In some cases, external funds received may be, by the terms on which they are provided, in part a gift and in part a sponsored award. In that event, funds received may be allocated between gift and sponsored award, and the corpus of each portion treated differently and appropriately for management, accounting, compliance and oversight purposes.

Definitions

Gift -The voluntary, non-reciprocal transfer of money or property from a donor to an institution. The donor does not expect anything of value in return other than recognition and does not have control over expenditure. A gift may meet the interests of the donor and can be restricted or unrestricted. A restricted gift is a contribution designated for a specific purpose, program or project. If the donor does not specify any restrictions, the gift is unrestricted and the institution allocates the funds at its own discretion. Only the Office of Institutional Advancement may accept gifts on behalf of the University.

Sponsored project - (which includes grants and contracts) is the transfer of money or property from a sponsor to an institution that is usually the result of a written proposal. The institution commits to the sponsor terms of the award and provides resources or services as a condition of the grant. The institution will often be required to report on the use of funds and the results of the program or project undertaken. Often terms and conditions of the agreement will include a specific performance time-line, the funder receiving a tangible or intangible benefit and the ability for the funder to terminate the agreement and/or demand repayment of the funds.