

## University Policy: Distinguishing Between Gifts and Sponsored Projects

**Policy Category:** Financial Policies; Research Policies

**Subject:** Distinguishing Between Gifts and Sponsored Projects

**Offices Responsible for Review of this Policy:** Office of the Vice President for Finance; Office of Development and Alumni Relations; Office of Sponsored Programs

**Procedures:** Gift/Sponsored Project Guidance Chart (Appendix A).

**Related University Policies:** OSP: Principal Investigator's Handbook (PDF) Gift Acceptance Policy

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### I. SCOPE

This policy applies to funds provided to the university from external funders in support of research and development, service, educational and scholarly activities, and provides guidance for distinguishing gifts and sponsored projects to ensure consistent institutional compliance and proper administration, accounting and management of external funds.

### II. POLICY STATEMENT

American University encourages its faculty and administrative staff to obtain and/or raise funding from external sources in support of research and development, service, and educational and scholarly activities. In accordance with applicable laws, national best practices in accounting and research administration, and external funder guidelines, the correct classification, processing and reporting of external funds, including gifts, sponsored projects and contracts, is essential for proper fiscal and fiduciary management at American University.

### III. DEFINITIONS

**External Funder:** An outside entity or individual who provides funding in support of research and development, service, educational and scholarly activities.

**Funding Instrument:** An award or other funding mechanism provided by an external funder.

**Gift:** A funding instrument issued by an external funder to provide philanthropic assistance for either unrestricted or restricted University programs or activities. Gifts are voluntary and non-reciprocal contributions of cash, property, or services.

**Sponsored Project:** A funding instrument (such as a grant, contract, or cooperative agreement) issued by an external funder to provide financial assistance or procurement for the performance of a specific research, training, or other scholarly activity proposed by the University.

#### **IV. POLICY**

This policy defines and clarifies the university's distinction between gifts and sponsored projects to ensure coordination between the Office of Sponsored Programs (OSP) and the Division of Development and Alumni Relations for consistent and proper accounting, administration and management of external funding received by the university in support of research and development, service, educational and scholarly activities.

##### **Basic Principles**

The intent and expectations of the external funder are the primary factors in deciding whether a funding instrument is a gift or a sponsored project. External funders often use the terms "gift" and "grant" interchangeably, but they have very distinct meanings for the university.

Many corporations and private foundations may refer to their philanthropic contributions as grants (not gifts), and may require detailed proposals and issue funding instruments with terms and conditions. The substance of the funding instrument must be examined. The names or titles of the funding instruments do not solely dictate that the funds are gifts or sponsored projects. Similarly, corporations, foundations and individuals often support research. Supporting research does not always dictate that the funds are sponsored projects or grants.

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 project award. In that event, funds received may be allocated between gift and sponsored project components, and the amount of each portion treated differently and appropriately for management, accounting, compliance and oversight purposes. That portion which is a sponsored project still needs to be routed in accordance with university policy.

Sponsored Projects (Grants, Contracts, Cooperative Agreements, etc.) are generally issued when an external funder intends to fund a particular scope of work or service or other specific project deliverables. The benefits of funding the work or service are tangible; they have value or return. Sponsored Projects come with specific terms and conditions. For instance, if a funder requires that they "accept" a final project report, that is evidence of a Sponsored Project. The greater the number of terms, conditions, and deliverables, the stronger the specific case is a Sponsored Project.

Gifts are generally charitable or philanthropic contributions for which the funder does not receive any tangible benefits in return. The funder has not hired the University to perform work for the funder's or societal benefit. A gift can be either restricted or unrestricted and, although gifts are not contingent on performance, they too often come with terms and conditions.

Listed below are the general characteristics that define and distinguish Sponsored Projects and Gifts:

## **Sponsored Projects**

The presence of any one of the following conditions will require that the funds be treated as a Sponsored Project:

1. The external funder is a federal, state, or local government entity or an agency thereof that has been granted delegated or legal authority as a flow-through agent of the federal, state, or local government entity for administrative and/or accounting management purposes.
2. The external funder has written policies that allow, limit, or restrict indirect cost recovery. Note: The absence of a policy does not preclude the funding instrument from being a sponsored project.
3. The funding instrument contains provisions regarding ownership of intellectual property (IP), i.e., patents or copyrights and/or the sharing of royalties, as well as other legal provisions such as limitations on liability and indemnification.
4. The external funder requires the formal delivery of specific goods and/or services, i.e., deliverables. Deliverables are defined by a formal, written agreement (a grant or contract instrument) that includes project-related technical/progress and financial reports, research results, intellectual property (IP) rights, equipment, or other specified services or considerations in exchange for external funds.
5. The funding instrument requires testing or evaluation of proprietary product(s).
6. The funding instrument includes prior-approval requirements for project related extensions, re-budgeting, level of effort, scope of work changes, etc.
7. The funding instrument requires the return of any unspent funds to the funder.
8. The funding instrument restricts or monitors publications, or the use of research results.
9. The funding instrument requires protection of proprietary or confidential information.
10. The funded project requires institutional approval for the use of human and animal subjects and involves the use of human subjects, vertebrate animals, radioisotopes on humans, radioactive materials, recombinant DNA, human body substances, etiologic agents, or proprietary materials.

## **Gifts**

The presence of any one of the following conditions will require that the funds be treated as a Gift:

1. The funding instrument provides support for broadly defined activities, such as professorships, endowments, capital projects, scholarships, instructional programs, and unrestricted research. Note: the funder may restrict the use of funds to a specific program area or purpose.
2. The funds are intended for capital improvement or for the use of the University's endowment.

3. The conditions or stipulations placed on the use of the funds serve to direct the funds to a general area of interest of the funder, such as scholarships or infrastructure.
4. Funds may be returned or reallocated in the event the University or the Board of Trustees discontinues or chooses to abandon the supported activity.
5. The external funder requires a charitable gift receipt.
6. The funding instrument requires no formal or specific deliverable as defined in the above-listed Sponsored Project definition.
7. There is no formal fiscal accountability to the donor beyond periodic progress reports and summary reports of expenditures. These reports may be thought of as requirements of good stewardship and, as such, may be required by the terms of the gift. Any required reports are not characterized as contractual obligations or deliverables as defined above.
8. Funds are provided to the University with true philanthropic intent.

#### **V. EFFECTIVE DATE AND REVISIONS:**

This Policy is effective as of January 15, 2016.