



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](#)

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(S)

This Policy was effective January 15, 2016.

VI. SIGNATURE, TITLE AND DATE OF APPROVAL

This policy needs to be signed by the appropriate officer (listed below) before it is considered approved.

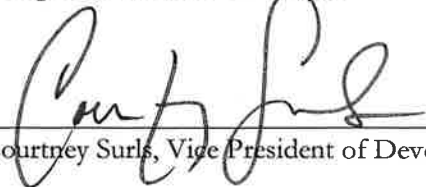
Approved:



 Scott A. Bass, Provost 12/18/15
Date Approved



 Douglas Kudravetz, CFO, Vice President and Treasurer 12/18/15
Date Approved



 Courtney Surls, Vice President of Development and Alumni Relations 12/22/15
Date Approved

Appendix A: Guidance for Distinguishing Between Gifts and Sponsored Projects

There are a number of features or characteristics that automatically qualify an award as being a sponsored project, because specific terms indicate a reciprocal transfer of something of value to the funder. Thus, if any of the following are present, the award is a sponsored project.

Project Specific	The award commits the university to a specific line of scholarly or scientific inquiry, typically in the form of a statement of work. A specific commitment is made regarding the level of personnel effort, deliverables, or milestones.
Fiscal Accountability	Project activities are budgeted, and the award includes conditions for specific, formal fiscal reports, and/or invoicing, the sponsor identifies a period of performance as a term and condition and requires that unexpended funds be returned to the sponsor at the end of the project period.
Rights and Access to Results	The University is obligated to convey the rights to tangible or intangible properties resulting from the project. Tangible properties include equipment, records, technical reports, theses or dissertations. Intangible properties include rights in data, copyrights or inventions, i.e., intellectual property.
Basic Research Tax Credit	Stipulates that expenditures must qualify for the basic research tax credit.
Legal Accountability	Includes indemnification or other legal remedies.

If none of the above features or characteristics are explicitly conveyed by the award letter, then a closer look at the circumstances surrounding the award is necessary. The proper classification of an award as a gift or sponsored project depends on the preponderance of evidence favoring one category or the other. **Any remaining cases of ambiguous awards will be resolved by the Vice President for Finance, in consultation with OSP and DAR staff.**

	Gift	Sponsored Project
General	The donor may restrict use or disposition, for example to an academic unit or to a program within the academic unit, such as a scholarship program.	The award instrument requires endorsement by a university official. The investigator is obligated to a line of scholarly or scientific inquiry that follows a plan, provides for orderly testing or evaluation or seeks to meet stated performance goals. The proposal is submitted in a sponsor-required format.

Publication and Reporting	The donor may request copies of publications that result from activity supported with donated funds and ask to be acknowledged in such publications. Donor may also request annual progress reports or a summary of the types of activities supported.	Terms of the award require publications or technical reports pertinent to the substantive aspects of the project. The investigator is obligated to report project results.
Accounting and Financial Reports	The donor may require that the funds be established in a separate account and that the donor receive an annual statement of the total funds expended. Gifts may, but rarely do, include indirect costs. Smaller gifts do not usually require accounting statements.	The proposal and resulting award often include a line item budget that identifies expenses by activity, function, or project period and includes indirect costs. The award includes budgetary constraints such as limits on budget categories, or the sponsor exercises prior approval or other controls over expenditures. Fiscal accountability is required, as evidenced by submission of financial reports to the sponsor, audit provision, or return of unexpended funds at the end of the project.
Project Direction or Mentoring	The sponsor may identify an individual in the corporation as a point of contact, particularly if that person works in university relations or philanthropic functions of the corporation.	The sponsor identifies a technical monitor who is responsible for monitoring performance, arranging site visits and providing liaison between the university and research teams. Changes of PI need prior approval.
Period of Performance	A period of performance is not normally included, but one may be stated as a general expectation.	The terms of the award include a period of performance that is specific for defining allowable expenditures or other purposes.
Renewal	There is normally no formal renewal. Additional funding may be provided at the discretion of the donor.	The award may be continued or renewed contingent on technical review or satisfactory progress. The sponsor monitors performance to determine if

		some set of expectations is fulfilled.
Award Provisions	The shorter the award agreement, the more likely it is a gift. The fewer the number of legal provisions, the more likely it is a gift.	The longer the award agreement, the more likely it is a sponsored project. The more legal provisions (intellectual property, liability, indemnification, choice of law, insurance levels), the more likely it is a sponsored project.