

## **Guidance on Distinguishing Gifts vs. Grants in External Funding**

Proper classification of External Funding to the University, as either Gift or Grant, is essential to ensure that such funding receives proper compliance review, accounting treatment, and administrative oversight at the University.

### Reason for Guidance

The University must manage all External Funding received in accordance with applicable federal, state, and local laws and with the specific terms and conditions of any Gift or Grant. The University's approval, negotiation, agreement processes and mechanisms, accounting, budget practices, oversight, and compliance practices differ depending on whether funds received are categorized as a Gift or a Grant. Therefore, the categorization of external funding received must be undertaken with utmost care and with a sound understanding of the various considerations that drive the determination of funding type. This guidance is intended to facilitate the appropriate classification of Gifts vs. Grants and to ensure that External Funding directed to the University receives the proper compliance review, administrative oversight, and monitoring.

### Compliance

Compliance is required for all University schools and units, University-wide initiatives, faculty, other academic appointees, staff, and students who apply for, seek, or receive External Funding at or on behalf of the University.

### Procedures

In many cases, determining whether funding received is a gift or a grant is relatively straightforward, while in other cases, the determination may be more difficult. External funding may have separate components, some of which qualify as gift funds and others that qualify as grants.

A gift is a transfer of funds or assets from an external donor to the University for which no goods, services, or other benefits are expected, implied, or exchanged in return to the donor other than recognition or immaterial benefits. A donor may not recoup gift funds; unexpended funds may not be returned to the donor or transferred to another institution. A gift may be an unrestricted donation to the University or a donation whose uses may be restricted to an academic area or a defined group of academic, departmental, or other University activities.

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. A gift generally has no time limit for its use and expenditure. A donor may direct a gift to support the work of a specific department or faculty member. Still, in these cases, the department or faculty member typically would have broad discretion regarding the design and implementation of specific expenditures to support specific academic activities for which funds received would be used. It is not unusual for a donor to expect a report on the general uses of donated funds (for example, a list of activities or projects a gift has supported).

With grants, 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 typically are concerned that their funds be used to support activities that align with the sponsor's own mission or interests, sponsors typically provide funding for grants based on a specific project or research plan and budget, for a specified period of time, with funds unused at the expiration of the time period typically reverting to the sponsor. The project most often involves specifying goals and objectives and the methodologies and approaches to be used, pursuant to the program or research plan tied to the funds 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. In a grant, the University and its faculty and/or staff are usually responsible for reporting progress and results to the sponsor at intervals or milestones identified in the grant. Sponsors usually stipulate as part of the terms and conditions of an Award that they have the discretion to examine, even on a line-item basis, the expenditures of the grants funds and to

disallow and demand repayment of any funds determined 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 are not attained, sponsors often reserve the right to recoup some or all of the grant funds from the recipient.

## Definitions

### Gift (unrestricted)

An asset that has been given to the University for which the donor does not receive any tangible goods or services. A philanthropic gift to the University has the following characteristics:

- Transfer of assets and release of all control of assets from the donor to the University,
- Voluntary act of the donor made without receiving, or expecting to receive, anything of any value (i.e., no "*quid pro quo*"), and
- Commitment that is distinct from sponsored research and contracts.

### Grants

This category includes all funding arrangements in which the University is providing a return benefit to or agrees to provide a defined deliverable or complete a specified set of activities for the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, restricted gifts (containing *quid pro quo*), or otherwise. This category also includes all subcontracts and subgrants, whether from federal or non-federal sources. Grants most often support research activities but, in some cases, may be provided for non-research, demonstration, or service projects.

Contact the Executive Director of Research for further information concerning gifts vs. grants.