

**COLORADO STATE UNIVERSITY-PUEBLO**  
**Financial Procedure Statements**  
**FPI 2-16**

1. **Procedure Title:** Determination of Proper Classification of Revenues as Gifts or Sponsored Agreements
2. **Procedure Purpose and Effect:** To ensure consistent and proper treatment of charitable (gift) and noncharitable (sponsored agreement) transactions.
3. **Application of Procedure:** The following process is intended to be used by all University personnel seeking external support, both governmental and nongovernmental.
4. **Exemptions:** None.
5. **Definitions:**
  - A. **Audit** – An audit is a systematic examination of records or financial accounts intended to check their accuracy and leading to determinations such as the allowability, allocability, and reasonableness of costs. The result of an audit may require an adjustment or correction of accounts and/or procedures, including the potential for return of dollars to the original funding source.
  - B. **Budget** – A budget is a financial spending plan for a given period of time against which expenditures are made and evaluated, and invoices submitted, in performance of a stated project, program, or operation. For the purposes of this FPI, a budget is most typically associated with a sponsored agreement.
  - C. **Donor** – One who contributes something, such as money, to a program or fund of a charity or public institution.
  - D. **Gift (Charitable Transaction)** – A gift is defined as any item of value given to the University by a donor, who typically expects no specific deliverable in return other than recognition and disposition of the gift transaction in accordance with the donor's wishes. Gifts can be cash or noncash, and are generally in the form of cash, checks, credit cards, securities, real property, or personal property. They can be conveyed as outright gifts or as deferred gifts. They can be tangible (as in real estate), or intangible (as in patent rights).
    1. As part of the relationship with the University, and most notably with those gifts related to capital construction and/or the acquisition of major equipment, the donor may sometimes desire a statement of commitment for the use of the funding as part of the transaction.
    2. The gift transaction may be unrestricted or may support a specific project, academic area, research program, or other University programs. Gift transactions are received and receipted by the Colorado State University-Pueblo Foundation (the Foundation). Transactions having characteristics contained in sponsored funding (see below) will be received and administered by Sponsored Programs rather than the Foundation, unless the sponsor or the circumstances dictate otherwise. For example, a funder may require receipt

of a project by the Foundation or include contract terms, such as indemnification, that the University finds difficult or impossible to accept.

- E. Gift Fund** – The Gift Fund source of revenue is limited to gifts and investment income earned on accumulated gifts. Cash gifts for the University are received by the Foundation. The Foundation invests the gift revenue and deposits funds into the Gift Fund account to cover anticipated expenditures. Income earned on endowments held by the Foundation may also be expended through Gift Fund accounts. Gift funds are expended from the 64xxx series accounts according to the restrictions placed by the donor and must also comply with all other regulations that apply to expenditures of University funds.
- F. Governmental** – Governmental includes those funders pertaining to federal, state, regional, and municipal governments. For the purposes of this FPI, the term governmental includes quasi-governmental organizations that are supported by the government but managed privately. Quasi-governmental entities are known by a variety of titles including districts, authorities, boards, commissions, etc., as specified in the enabling state legislation.
- G. Pledge** – A pledge is an unconditional, legally binding promise to make a specified contribution to the University over a defined and specified period of time. Pledges may provide donors a flexible alternative to large, immediate outright gifts.
- H. Research Fund (53 Funds)** – Revenue in this fund comes from federal, state, and private contracts, grants, and agreements as reimbursement for costs incurred. The nature of the relationship between the University and the external sponsor can be characterized as grantee/donor, sponsor/contractor, or cooperators. Each account is supported by a signed funding document, although an individual funding document may have several accounts. Funds are to be expended for the purpose specified by the external sponsor and must be allowable as defined by the sponsor. Accounts in this fund generally carry the federally negotiated indirect cost rates. Activities administered in this fund include organized research and sponsored instruction.
- I. Scope of Work** – The Scope of Work is the project proposal or business case document that describes the operational purpose of a project and the measurable outcomes to be achieved. The scope of work details requirements that may restrict the work of the project team, such as scope, time, cost, regulatory considerations, and other governance terms and conditions.
- J. Sponsored Agreement Transaction (Noncharitable)** – Sponsored Funding is an externally funded activity in which a binding, formal written agreement (i.e. a research grant, contract, cooperative agreement, or other agreement format as may be required by the circumstances), is entered into by the University and the sponsor. Sponsored funding can be thought of as a transaction of a specific statement of work with a related, reciprocal transfer of something of value. The formal written agreement may range from simple to complex. In comparison, a gift transaction may contain a general statement of purpose/intent with corresponding general reports of programmatic use and/or expenditure due to the donor. No tax receipt is provided to the resource provider of sponsored funding received by CSU-Pueblo.
- K. Term Sheet** – A nonbinding agreement/document setting forth the basic terms and conditions under which an investment will be made. This document summarizes the details of a potential gift or investment to the University.

**6. Procedure Statement:**

The correct classification and processing of gift and sponsored agreement transactions is essential for the accomplishment of fiscal and fiduciary management by Colorado State University-Pueblo; adherence to state of Colorado statutes and Federal Accounting Standards Codification; and proper accountability and stewardship.

**Distinguishing Between Gift and Sponsored Agreement Transactions:**

**A. Gift Transaction:**

In general, the following characteristics describe a gift transaction and help to distinguish such agreements from sponsored projects. A gift transaction may be accompanied by an agreement that restricts the use of funds by indicating the intended use of those funds. A donor may call a document a contract when, in fact, it is simply a statement describing the intended use of the funds. For example, a gift transaction may be limited to the completion of capital construction, a major equipment acquisition, or an endowment in a specific area. Such limitations in the intended use may be acceptable as a gift transaction.

1. A gift transaction may be revocable or irrevocable or have a defined period of performance or start/stop date. Pledges commonly carry a specified payment structure on the part of the donor and may encompass several years.
2. A gift transaction may include fiscal accountability, including reports, requirement to gain foundation approval for changes to expenditures, or return of unused funds. These reports may be thought of as requirements of good stewardship, and, as such, may be required by the terms of a gift transaction. The donor's requirement of regular status reports or other financial accounting reports does not negate the philanthropic nature of the transaction.
  - a) The full costs associated with an activity funded through a gift transaction should be considered when soliciting and/or accepting the funds. These may include administrative and other more indirect costs that can be associated with activities in a specified area. For example, the preparation of progress reports or expenditure summaries may require the time and effort (e.g. salary) of department administrative staff.
3. The University does not accept gift transactions that it cannot use as the donor intends. If circumstances change such that a gift cannot be used as the donor specified, the donor must approve a change in the original restriction. If the donor cannot be contacted, changes in the purpose of a gift fund can be granted only by the President.
4. Gift transactions may be specified for the support of a particular research project or group of people provided the gift transaction is to the institution.
5. The office of University Advancement is the coordinating office for all gifts.

## **B. Sponsored Agreement:**

In general, the following conditions characterize a sponsored project agreement, and help to distinguish such agreements from gifts:

1. The funding is being received in support of a detailed Statement of Work. The Statement of Work is usually supported by both a project schedule and a line-item budget, both of which are essential to financial accountability. The Statement of Work and budget are usually described in a written proposal submitted by CSU-Pueblo to the sponsor for competitive review. Technical reports are usually due to the sponsor based on at least annual intervals and are based on the Statement of Work.
2. Detailed financial accountability against a proposed budget and frequently providing for the return of unused funds and/or for the opportunity to audit.
3. Budget restrictions and re-budgeting limits, with a specified period of performance, are typically defined with "start" and "stop" dates. Periodic payments are made to CSU-Pueblo so financing of the project is on a continuous basis.
4. Regular financial reporting and audit, including, for federal and state awards, accountability under the terms of OMB Final Uniform Guidance.
5. A sponsored project budget will include CSU-Pueblo's full negotiated F&A (indirect) cost rate, unless a waiver of those costs has been approved or the sponsor prohibits such costs. These conditions generally define the level of financial accountability associated with a sponsored project.
6. Disposition of Property ("Deliverables") also usually include terms and conditions for the disposition of tangible properties (e.g. equipment, records, specified technical reports, theses, or dissertations) or intangible properties (e.g. rights in data, copyrights, inventions). The presence of such terms and conditions in the agreement indicate that the activity is a sponsored project.

While not all of the above conditions are necessary to define a sponsored project, they are collectively indicative of the increased level of financial accountability associated with such projects. Sponsored Funding should be coordinated with the office of Sponsored Programs.

## **C. Attributes:**

The distinction between gift and Sponsored Funding from a nongovernmental entity can sometimes be difficult to draw. In fact, donors may sometimes use the word "grant" when the donation qualifies as a "gift" or vice versa. The following attributes are indicators of a transaction that may require receipt by Sponsored Programs rather than the Foundation.

Attributes that may require receipt of the transaction by Sponsored Programs include:

1. Funding is from the federal, state, or local government or the entity is using federal, state, or local government funds as its funding source.
2. The award contains contractual provisions regarding ownership of intellectual properties (i.e., patents, royalties, and copyrights) or other terms and conditions such as publication restrictions, rights to tangible and intangible assets, insurance, allowable and unallowable costs, performance milestones, sponsor retention of rights to terminate the award at their discretion, delivery of specific goods/products or services to sponsor by the University (e.g. technical assistance, testing, or assessment of the sponsor's products or services and/or training), etc. The preponderance and specificity of contractual provisions will be considered in the assessment of gift or sponsored agreement transaction.
3. Award requires a detailed technical report back to the sponsor. These reports should not be confused with general stewardship reports. For example, a stewardship report can be a simple status report which may require a project's progress, effort and/or transaction information. If the award includes a provision for audit or invoicing by the sponsor the transaction may still be classified as a gift transaction.
4. Award requires a transactional analysis comparison against the budget, and the return of unused funds is required.
5. Award requires compliance assurances such as an Internal Review Board (IRB) or Institutional Animal Care and Use Committee (IACUC) review and approval.

**Process Description and Responsible Parties:**

- A. CSU-Pueblo seeks to broaden its external relationships to their full potential. All personnel are encouraged to consider ways in which a donative or sponsored relationship might lead to additional levels of engagement. The proper classification of a proposal and/or request is an important first step in this process. Personnel should seek the guidance of the office of BFS prior to proposal submission and/or gift solicitation if/when there is a question about appropriate classification as gift or sponsored agreement.
- B. If there is a question about the proper classification of a proposal and/or funding, the attributes referenced above will be utilized by BFS to determine how the transaction needs to be accounted for, in terms of classification and revenue recognition.
- C. Whenever a new account is requested, the responsible unit will verify that the account being set up is proper and in accordance with the definitions in this policy. These offices are responsible for assuring that a proper determination of gift or sponsored agreement status has been made.
- D. In resolving issues related to the classification of an award, CSU-Pueblo personnel must maintain an appropriate balance between the interests and preferences of the donor/sponsor and CSU-Pueblo's administrative policies and procedures. It may be necessary to contact the donor/sponsor for clarification of intent and requirements, and/or to discuss the planned use of the funds.

- E. The Controller will determine the proper classification and handling of a transaction to CSU-Pueblo. The degree of funds management and consequent designation as gift or sponsored agreement will be based upon the weight of all applicable criteria and not a single factor. Commonly used publications, such as IRS publications, Treasury regulations, or commonly accepted industry processes, may help in this determination. The investigator, department chair, and others may be consulted in this process.
  - F. The Vice President of Finance and Administration (VPFA) will have final approval of the designation. The VPFA will consider the input from the initial review, preponderance of attributes, intent of the funder, and relationship with the funder in making their final determination.
  - G. This internal determination does not preclude the funding from being accepted by CSU-Pueblo, even though it has been determined to be a sponsored agreement, when the funder requires their grant to be accepted by an exempt organization under section 501(c)(3) of the Internal Revenue Code.
7. **Reference and Cross-References:** None.
8. **Forms and Tools:** None.

### Checklist for Determining Whether Funding is a Gift or Sponsored Agreement

PI/Recipient: \_\_\_\_\_ Dept: \_\_\_\_\_ Date: \_\_\_\_\_  
 Sponsor/Donor: \_\_\_\_\_ Amount: \_\_\_\_\_ Reference Number: \_\_\_\_\_  
 Project Title: \_\_\_\_\_

**Instructions for Completing the Checklist:** Delegates from BFS, Provost's Office and the VPFA will jointly determine how the transaction needs to be accounted for in terms of classification revenue recognition. The degree of funds management will be based upon the weight of all applicable criteria and not a single factor.

Review all documentation associated with the funding for indications that will help determine whether the funding should be considered support for a **gift** or a **sponsored agreement**. Answer all questions in the checklist below, and include comments whenever necessary.

| FUNDING SOURCE CHECKLIST:   |  |        |
|---|--|--------|
| RANK PREPONDERANCE OF CHARACTERISTICS AS<br>1–LOW: GIFT, TO 5-HIGH: SPONSORED AGREEMENT |  | WEIGHT |
| 1.  | Does the award contain contractual provisions regarding ownership of intellectual properties (i.e., patents, royalties, and copyrights) or other terms and conditions such as: publication restrictions, rights to tangible and intangible assets, insurance, allowable and unallowable costs, performance milestones, sponsor retains rights to terminate the award at their discretion, the delivery of specific goods/products or services to sponsor by the university (i.e. technical assistance, testing or assessment of the sponsor's products or services and/or training) require regulatory controls such as IRB, IACUC, FCOI, reserve nonstandard audit rights, require record retention, etc.<br><b>Comments:</b> |        |
| 2.  | Does the award require a detailed technical report back to sponsor, more than a simple status report that illustrates a project's progress (reports describing effort to general public can be a gift)? Note: These reports should not be confused with general stewardship reports which should occur on a regular basis or upon the request from a donor on an ad-hoc basis.<br><b>Comments:</b>   |        |
| 3.  | Does the award require a transactional analysis comparison against the budget and the return of unused funds?  |        |

**Please detail your comments; take as much room as necessary or use separate paper for rational. Keep all corresponding documents in your file.**

**First consultation: (1<sup>st</sup> tier review, Controller or their delegates)**

Gift

Sponsored Agreement

Rationale:

Consensus Reached: \_\_\_\_\_ Date: \_\_\_\_\_

University Controller

**Second consultation: (2<sup>nd</sup> tier review, VPFA)**

Gift

Sponsored Agreement

Rationale:

Consensus Reached: \_\_\_\_\_ Date: \_\_\_\_\_

Vice President of Finance and Administration

**Exception:** CSU-Pueblo agrees to the funder's requirements for funds to be accepted by an exempt organization under section 501(c) (3) of the Internal Revenue Code. However, CSU-Pueblo will administer the funds in Sponsored Programs as a sponsored agreement.