

DISTINCTION BETWEEN SPONSORED PROJECTS AND GIFTS

With activity increasing on campus to secure external funds and other resources, some distinctions and definitions are important in determining how various types of awards should be recorded and managed. Awards/Projects can generally be grouped into three basic categories: (1) Gifts, Donations, or Bequests; (2) Sponsored Projects, Grants, and Contracts; and (3) Income-Generating Projects.

Gifts, Donations, or Bequests

Gifts (cash, real property, equipment or other items of value) are donations that come without consideration or strings attached, other than in designating a particular program (e.g., engineering faculty development) or activity (e.g., student scholarships) to which the funds or resources should be directed. In short, the gift usually arrives with no other requirements accompanying it and are usually irrevocable transfers of money or property. A common exception to this would be a grant from a government agency such as the National Science Foundation for purchase of equipment.

Representative characteristics of a gift, donation, or bequest include the following:

1. If the gift is given for an unrestricted purpose without further consideration, including providing funds for such activities as endowments, scholarships, capital projects, or general student financial assistance;
2. If the gift involves no contractual requirements, written or oral;
3. If the gift requires only minimal reporting to the sponsor in the form of a general statement of how the funds were used;
4. If the gift is awarded irrevocably.

Sponsored Projects, Grants, and Contracts

Sponsored projects are activities involving a sponsor providing funds or other resources with conditions attached. Usually a proposal precedes an award document which conveys, via a grant, contract or cooperative agreement mechanism, funds and/or other resources necessary and specifically given for conducting an identifiable project with agreed upon activities and/or products.

In most cases, an award will be a sponsored project if it has one or more of the following elements, which can be used as criteria for delineating a sponsored project from a gift:

1. If a proposal is developed in response to some form of guidelines or Request for Proposal (RFP) from the sponsor;
2. If the funds or other resources are from a tax-supported entity such as federal, state, or local government bodies or other organizations providing "pass through" tax funds to the grantee;
3. If the award document specifies a method of payment such as fixed price, letter of credit, or cost reimbursement;
4. If the award is a contract, cooperative agreement, consortium agreement, subgrant, subcontract, or purchase order;
5. If funds are awarded following a competitive bid process;
6. If funds are to match or augment a government funded project, including "pass-through" funds;

7. If funds are awarded for the purpose of research, model project, program development/operation, curriculum development/evaluation, training, community service, planning, technical assistance/evaluation, or some other specific activity;
8. If funds are provided to cover a specific scope of work or to provide a specific product, service, or other deliverable or outcome;
9. If the sponsor identifies a technical monitor/evaluation for the project;
10. If the funded activity involves humans in research, animals, radiation hazards, biohazards, or recombinant DNA;
11. If the Principal Investigator/Project Director has a potential financial conflict of interest related to the award;
12. If the sponsor imposes publication restrictions and/or requires conveyance of rights to tangible or intangible property, including Intellectual Property;
13. If the sponsor will have access to university facilities (e.g. office or laboratory space, phone lines, etc.)/university resources (e.g. personnel, equipment, supplies, etc.);
14. If the sponsor specifies how funds are to be used or includes a line item budget that identifies expenses by activity, function or project period;
15. If the project will involve payment of employees from sponsor funds through a payroll system;
16. If the sponsor pays indirect costs or otherwise provides for the recovery of administrative or overhead costs, except in cases where granting agencies prohibit indirect cost recovery;
17. If the sponsor requires financial reports and/or invoices;
18. If the sponsor requires the return of unexpended funds and/or specifies disposition of property/equipment;
19. If the sponsor specifies audit requirements and/or record retention as a condition of award;
20. If a project involves a definite time frame for beginning and ending the activities;
21. If the project involves commitment of university facilities, personnel, or other resources;
22. If the sponsor stipulates other terms and conditions of award dealing with such topics as compliance with federal or state regulations, allowable and unallowable costs, subcontracting, insurance, warranties, indemnification or hold-harmless requirements, protection of proprietary or confidential information, modifications, penalties, remedies, termination, applicable governing law; and
23. If the sponsor is a private entity or individual and gives the funds as a grant for purposes other than endowment, professorships, fellowships, scholarships, building construction/renovation or equipment. (Note: equipment or software may be given with consideration such as a technical evaluation requirement that will make the award a sponsored project.)

Income-Generating Projects

Income and entrepreneurial projects do not receive an award or donation from a particular funding source but receive revenues based on activities, services, or products provided by a project. Examples include patent/copyright/licensing activities that produce revenue from sales of goods directly or by receiving a share of royalties and workshops/conferences/ seminars/courses that provide for a fee to individuals and/or organizations.