Determining if an Award is a Gift or a Sponsored Project

Keene State College Policies and Procedures

Determining if an Award is a Gift or a Sponsored Project

Section Menu

(Approved by Cabinet on 5/10/2011)

Purpose

The purpose of this policy is to establish guidelines to determine if an external source of revenue constitutes a gift or a sponsored project in order to ensure proposals adhere to the appropriate submission procedures and awards are correctly processed and administered. Therefore, the definitions in this document will guide the official financial accounting and reporting for these types of financial activities. This policy is not meant to replace the corresponding USNH policy, but rather provides more detailed guidance on local interpretation of USNH policy.

In promulgating this policy, it is expressly acknowledged and understood that the different professional communities of fundraising and sponsored projects administration may historically and properly use the terms in ways other than how they are defined in this policy. However, the definitions contained in this document will drive the financial accounting and financial reporting of gifts and sponsored projects at the College. Accurate determination of gift versus sponsored projects status is critical as it determines how funds are administered within the College's financial system. Those awards determined to be Gifts shall be set up in the College's financial system in fund type "G". Those awards determined to be sponsored projects shall be set up in the College's financial system in fund type "P1".

Definitions

A **gift** is a voluntary, irrevocable transfer of assets (e.g., cash, securities, real

or personal property) made by a donor without any expectation or receipt of direct economic benefit or tangible compensation (i.e., goods or services) from the recipient commensurate with the worth of the gift*. In other words, a gift is a nonexchange transaction where there are no reciprocal transfers for approximate equal value. A gift may meet the interests of the donor and can be restricted or unrestricted. A restricted gift is a contribution designated for a specific purpose, program, or project. If the donor does not specify any restrictions, the gift is unrestricted and the institution allocates the funds at its own discretion.

A **grant, contract, or other sponsored agreement** is not a gift. It is a written agreement representing the voluntary transfer of money or property by a sponsor in exchange for the specifically enumerated performance of services (i.e., an exchange transaction), often including rights and access to results of this performance, and always including some formal financial reporting (beyond a general report for stewardship purposes indicating how funds were spent) and/or technical reporting by the recipient as to the actual use of money or property provided.* One exception to the notion that a gift carries no expectation of a direct economic benefit to the donor is the specific case of a “Bargain Sale Agreement.” In this type of arrangement, a donor makes a gift with a contractual obligation attached to return some level of assets to the donor, while the remaining amount is kept as a gift.

The agreement is enforceable by law, and performance is usually to be accomplished under time and fund use constraints with the transfer of support revocable for cause.

Determinations

The distinction between gifts and sponsored projects is subtle, and the term “grant” is often used to refer to both types of funding. The determination of whether a specific revenue stream constitutes a gift or a sponsored project is therefore to be made based on the specific characteristics, terms, and conditions associated with the funding. The list below, although not exhaustive, provides key characteristics which, when present, indicate the revenue is most appropriately considered a *sponsored project*. No single indicator is the key, and all indicators need not be present to signify a

sponsored project.

- **Funding Source:** If the source is a federal, state, or local government, or an agency that has been established simply as a flow-through of federal, state, or local government funds, then it is always considered a sponsored project. Awards from private, corporate, or other sources may be sponsored projects, depending on the specific terms and conditions associated with them.
- **Scope of Work:** The award is based on a specific scope of work proposed, and/or the sponsor requires the delivery of specific goods or services (e.g., technical assistance or training).
- **Period of Performance:** The award has a specific period of performance (start and end dates).
- **Termination and/or Revocability:** The award may be terminated for cause, and/or unexpended funds must be returned at the end of the activity. In other words, the award is NOT irrevocable.
- **Technical Reporting:** The sponsor requires detailed technical reports, either at the close of the activity or as progress reports throughout (beyond general reports provided for stewardship purposes).
- **Financial Reporting:** The sponsor requires financial reports (beyond general reports provided for stewardship purposes), and/or includes a provision for audit.
- **Budget Restrictions:** The award contains budget restrictions (e.g., prior approval requirements for re-budgeting, restrictions on categories).
- **Cost Sharing:** The proposal and award contains financial commitments on the part of the institution, such as cost sharing/matching funds.

The Development Office, the Office of Sponsored Projects and Research, and the Business Office will apply these criteria to determine the appropriate designation for each proposal/award, conferring where necessary. In the instance of unusually difficult determinations, the Associate Vice President of Finance will review the characteristics and make a recommendation to the President who will make the final determination. All proposals/awards deemed to be sponsored projects rather than gifts must be processed through the Office of Sponsored Projects and Research. All revenue deemed to be gifts

must be processed through the Advancement Services office. In some cases, requests for support or other solicitations originally thought to involve gifts actually become sponsored projects, or vice versa, at the award stage due to terms and conditions contained in the award agreement.

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