1.0 Purpose

Auburn University and its affiliated foundations receive income from a wide variety of sources and for many different purposes. This policy is designed to address external funding received in the form of gifts or as sponsored projects. The intent is to ensure proper handling of the funds and the documentation for purposes of regulatory compliance, stewardship, cost recovery, project categorization, institutional reporting, and responsibility to the provider.

2.0 Authority

This policy is written and administered under the direction and authority of the Executive Vice President, the Vice President for Development, the Provost’s Office and the Vice President for Research and Economic Development. Questions about this policy may be directed to the Associate Vice President for Business and Finance, the Vice President for Research, the Associate Vice President for Development, or the Director of Development Accounting.

3.0 Definitions

The classification of funding as "gift" or "sponsored" will affect, among other things, the way Auburn University and Auburn University Foundation account for the funds, recovers costs, monitors activities and reports on the use of the funds to the sponsor, donor, or other appropriate agencies. Because the external sources often use the terms “grant” or “gift” in a manner inconsistent with our objectives, the language used by the donor or sponsor should not in and of itself determine the classification of the funds.

3.1 Sponsored Projects

Sponsored projects are externally-funded activities in which a formal written agreement, i.e., a memorandum of understanding, grant, contract, cooperative agreement, or sub-agreement, is entered into by Auburn University and the provider of the funding (sponsor). A sponsored project might typically be an exchange transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value, however, certain non-exchange grants may contain conditions that would call for monitoring as a sponsored project.
The following conditions characterize a sponsored projects agreement and help to distinguish such agreements from gifts:

3.1.1 Statement of work

Sponsored projects are typically awarded to Auburn University in response to a detailed statement of work and commitment to a specified project plan. This 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 Auburn University to the sponsor for review. However, existence of a written proposal does not always indicate a sponsored agreement, likewise, the absence of a written proposal does not always indicate a gift. Obligations associated with the relationship are often made at the time a decision to provide funding is made by the funds provider.

3.1.2 Detailed financial accountability

Sponsored projects usually require detailed reporting of expenditures and budget related performance measures. Generally, there is a requirement to adhere to a project plan with performance related budget line items and a specified starting and ending project date. Additionally, there is usually a requirement to return unexpended funds at the end of the project period or if performance is not acceptable. Certain types of costs may be classified as allowable or unallowable with opportunity for the sponsor to audit expenses at some later date. Sponsored projects are designed to ensure appropriate cost recovery to the University for performing a project for an external sponsor. This includes reimbursement of faculty effort, other project specific costs, as well as institutional overhead (F&A).

3.1.3 Disposition of properties (deliverables, reversionary rights, records, inventions, etc.)

Sponsored agreements usually include terms and conditions for restrictions on or disposition of tangible properties (e.g., equipment, records, specified technical reports, theses, dissertations, prototypes, etc.) or intangible properties (e.g., rights in data, copyrights, inventions, publication rights, etc.). The presence of such terms and conditions in the agreement indicates that the activity is a sponsored project. Noncompliance with such terms and conditions often results in withholding of payment to the institution or return of funding to the sponsor.

3.1.4 Regulatory compliance

Externally funded activities requiring the use of animal subjects, human subjects, or materials subject to some external regulation (e.g., radiological materials, biohazards, licensed or controlled substances and materials, etc.) and which as a result require institutional oversight, monitoring or approval are often considered sponsored projects; however, gift funds are sometimes provided to support institutional research, teaching or demonstration activities involving animals, human subjects or regulated materials. It is the responsibility of a project Principal Investigator, Faculty member teaching a course, and/or the Unit Head to ensure that all institutional approvals for the use of animals, humans, controlled substances, or hazardous materials are in place BEFORE any use of such subjects or materials occur.
3.2 Gifts and Charitable Contributions

A gift is defined as any item of value given to the University by a donor who expects nothing significant of value in return other than recognition and disposition of the gift in accordance with the donor's wishes. In general, a gift has no contractual requirements and no expectation of deliverables or rights in property or data. While there may be restrictions or minimal conditions associated with a gift, generally, there should be no specific period for incurring costs, and there should be no requirement to return unexpended funds. Often donors request periodic reports of activity related to the gift and summary reports of expenditures but no detailed financial accounting or audit is required. Gifts received into Auburn University directly or through its affiliated foundations are considered public funds and must remain with the University until expended. Under no circumstances are gifts transportable by an individual, program or other unit to another university, agency or other entity.

4.0 Guidance for Properly Distinguishing Gifts from Sponsored Projects

4.1 Distinctions Based Upon Source of Funds

Any funding provided directly or indirectly by a governmental agency (federal, state, or local) must be accounted for as a sponsored project (i.e., contract or grant fund) although direct federal and state appropriations are typically not processed or approved by the Office of Sponsored Programs.

Corporate funds and funding from foundations or associations can be recorded as gifts or as sponsored projects. In the absence of conditions (4.3) and intent (4.2), treatment as a gift might be indicated. In no circumstances should corporate funds be processed as a gift to avoid indirect cost (F&A). See Section 5.1 regarding guidance in unclear situations.

4.2 Distinctions Based Upon Intent of Donor/Sponsor

For funds provided by sources other than those listed in 4.1, the distinction between a gift and a sponsored project is based on existence of a proposal, a statement of work, obligations of the recipient, terms of any agreement, or the expectation of deliverables, in conjunction with the documented intent of the donor or sponsor.

The IRS provides tax deductions and other tax benefits to donors and sponsors based upon their purpose in providing the funding to the University. Additionally, the University enjoys a tax exemption based upon receipt of donations made to it and the use of those funds to support our public missions. For gifts, the donor may receive a tax deduction for charitable contributions. In this case, nothing of substantial value may be provided to the donor in exchange for the gift, and unexpended funds are typically not returned. For sponsored projects, the donor may qualify to receive a tax credit for support of basic research. In this case, the intent is to receive something in return for providing the funds, is not charitable in nature, and qualifies as an exchange transaction.
4.3 Distinctions Made by Conditions, Scope of Work, Reporting, etc.

In 3.1.1 through 3.1.4, various conditions are outlined which indicate funding arrangements which should be handled as sponsored projects. Within the University, there exists the administrative infrastructure to review, process, and maintain compliance with agreements which contain the terms and conditions addressed. Any external funding arrangements which, by the definitions and guidance provided in this policy, are categorized as sponsored projects, should be administered through the existing University infrastructure, regardless of whether received by the University or received through an affiliated foundation.

4.4 Change in Classification

In some circumstances, contributions initially classified as gifts may lead to payments by the same provider for similar or dissimilar purposes which should be more appropriately classified as sponsored projects. Departments should take care to monitor such “contributions” and examine related documentation. Just because an initial payment(s) has been classified as a gift, this, in no way, indicates classification of future payments should be as a gift. Subsequent payments should be analyzed and classified independently.

5.0 Administrative Issues and Processes

5.1 Decision Making in Unclear Situations

In some cases, the distinction between a gift and a sponsored project can be difficult to determine. In fact, donors may sometimes use the word "grant" when the donation is intended as a gift or vice versa. When an individual is in doubt about the proper classification and handling of an award to Auburn University, the Office of Sponsored Programs or the College Development Officer or the Director of Development Accounting, will assist in the determination. Attachment A to this policy is the Auburn University Income Classification Checklist (see 5.5 below). The form provides a checklist which is used in assessing the appropriate classification of the deposit. Attachment B provides Frequently Asked Questions which can also be used as a resource in appropriate classification.

5.2 Donor/Sponsor Relationships

In resolving issues related to the classification of an award, Auburn University personnel must maintain an appropriate balance between the interests and preferences of the donor/sponsor and the University's administrative policies and objectives as well as federal regulations. In addition to guidance of the Office of Sponsored Programs or the Development office, 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. Such contacts should be made in a coordinated approach with communication between the appropriate parties, (Department, Development, Sponsored Programs, Dean, etc.) and handled with care so as not to coerce the donor/sponsor into indicating preference for one classification or the other and to remove potential conflicts of interest.
5.3 Banner Fund Establishment

Banner funds are established by the Office of Contracts and Grants Accounting after acceptance of the award by the Office of Sponsored Programs if an award is classified as a sponsored project. If an award is classified as a gift, the Office of Financial Reporting establishes a gift fund after receipt of an appropriately approved Request for New Account (Fund) form (BO 55-30). Endowment Services establishes gift funds if they are to reside in the Auburn University Foundation (Chart F).

Departments charge expenses to either the sponsored program or gift funds, but in most cases will not record revenues to these funds. Gift deposits should be processed through the Office of Development in accordance with the Collections, Contributions, and Accounts Receivable policy (Section 3). Sponsored project revenues are received and recorded by the Office of Contracts and Grants Accounting.

5.4 Cost Sharing Implications

Auburn University policy and 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards provide strict guidance for determination and management of cost sharing. Cost sharing is that portion of the total project costs that is not paid by the sponsor or donor. Acceptable methods of meeting the cost sharing commitment are Auburn cost sharing (cash), third party cost sharing (cash or in-kind), or forfeited indirect costs. Gift funds may be used as cost share on a sponsored project if the gift’s donor so allows. Written verification must be received from the dean that confirms the use of funds for this purpose is consistent with the donor’s intent. If a donor requires that a gift be leveraged with other resources, there is no requirement to account for cost sharing in a separate fund. Often the donor requires that such leverage come from other gift funds or donations.

5.5 Auburn University Income Classification Form

The Auburn University Income Classification Checklist (Attachment A) should be used to determine the proper classification of non-sales and services revenue received through a department. If the Classification Checklist supports the processing as a gift, the form must accompany the check and be processed through Development Accounting. If the Classification Checklist indicates Sponsored Program treatment, the income (check) must be processed through the Office of Sponsored Programs, with the Classification Checklist attached to other supporting documentation.

5.6 Roles and Responsibilities for Appropriate Classification of Gifts and Sponsored Projects

The faculty member, department head or chair, and dean are charged with knowing and understanding the University policies in regard to acceptance of gifts and proper classification of funds received. They are also responsible for obtaining and providing for central review all of the documentation related to the funds received, and for appropriately classifying such funds. In addition, monitoring processes should be established at the college or school level to ensure the risks associated with the circumvention of policy are mitigated. Payments received within the units should be periodically analyzed, recurring “gifts” from the same source should be
explored, and expenditures should be analyzed in relation to the intent of the “gift.”

Central administration, including development staff, is charged with the oversight of the policies and oversight of the appropriate classification of gifts and sponsored projects. Central monitoring processes should be established to ensure that all documentation is received and that classification is according to policy. Reviews of revenues, including identification of recurring “gifts” from the same sources, should occur regularly, with follow-up questions to the college or school.

6.0 Other References

Various Auburn University policies address the handling and recording of funds received from external sources and provide additional guidance as to the appropriate processing. Such policies include:

Policies for Collections, Contributions, and Accounts Receivable – Maintained by the Office of Student Financial Services, section 3 of this policy specifically addresses “Collection and Solicitation of Contributions, Donations and Gifts Handling. The policy is available at www.auburn.edu/administration/business_office/policy_manual/collect.html

Policies for Gift Management – Maintained by the Office of Development https://develop.auburn.edu/aufoundation/gift.html
Policies for Giving – Research and Outreach – Maintained by the Office of Development https://develop.auburn.edu/giving/#research

Policies and other information regarding sponsored programs – https://cws.auburn.edu/OVPR/pm/osp/home
http://www.auburn.edu/administration/business_office/cga/
Auburn University
Income Classification Checklist (Gifts and Sponsored Projects)

Please complete this form by answering each question. If you have questions related to the form, see the FAQs and official policy at www.Auburn.edu

Amount: ___________________________ Donor/Sponsor: ___________________________

1. Was a formal proposal required to obtain these funds? **YES** **NO**
   *If yes, please describe: ___________________________
   ___________________________

2. Is a deliverable required? **YES** **NO**
   *If yes, please describe: ___________________________
   ___________________________

3. Are there any obligations of Auburn University expressed or implied? **YES** **NO**
   *If yes, please describe: ___________________________
   ___________________________

4. Is AU required to return unexpended funds? **YES** **NO**

5. Is there a specific period of performance? **YES** **NO**

6. Will use of these funds involve animal subjects, human subjects, recombinant DNA or biological hazards, radioactive or other hazardous materials? **YES** **NO**
   *If yes, please ensure that proper compliance committee protocols are in place before work is begun or funds are expended.

7. Are there publication restrictions, attributions, and/or permissions required? **YES** **NO**
   *If yes, please describe: ___________________________

8. Was a budget required for anticipated expenditures? **YES** **NO**
   *If yes, please describe: ___________________________

If you answered “**NO**” to every question, proceed to complete AU Office of Development Gift/Pledge Records Form (available through a Development representative) and submit to AU Development Accounting.

If you answered “**YES**” to any of the questions other than question #6, please contact your Sponsored Programs Contract Administrator to determine how your deposit should be routed.

We/I certify the above is a true representation of the expectations surrounding the giving and receipt of the above referenced funds and that the designation of monies as a gift is accurate to the best of my knowledge. We/I certify that this request is in compliance with Auburn University/Auburn University Foundation Policy to Identify and Administer Gifts and Sponsored Projects.

_____________________________ Date:________________________
(Signature)

Faculty Member/Responsible Party ___________________________ EMAIL __________________________ PHONE __________________________

Prepared by: ___________________________ Date:________________________

Reviewed by: ___________________________ Date:________________________
   Department Head/Center Director

Approved by: ___________________________ Date:________________________
   Dean

**Attach all pertinent correspondence related to the above referenced funds including any Agreements.**