

Auburn University and Affiliated Foundations Policy to Identify and Administer Gifts and Sponsored Projects

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 capitalization, institutional reporting, and responsibility to the provider.

2.0 Authority

This policy is written and administered under the direction and authority of the Vice President for Business & Finance and CFO, the Vice President for Development, the Provost's Office and the Vice President for Research. Questions about this policy may be directed to the Associate Vice President for Financial Services/Controller, the Assistant Vice President for Research, 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, recover 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 endure 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 term 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, publications 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 material 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 entity.

4.0 Guidance for Properly Distinguishing Gifts from Sponsored Projects

4.1 Distinctions Based Upon Source or 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.

4.2 Distinctions Based Upon Intent of Donor/Sponsor

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 in conjunction with the documented intent of the donor or sponsor, 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.

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 Situation

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 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 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 contracts 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 Endowment Investment Office

establishes a gift fund after receipt of an appropriately approved Request for New Account (fund) form (BO 55-30) by the Controller's office.

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 the 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 Uniform Guidance (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. Pursuant to sponsor direction, 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.

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 the Office of Development. 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 Collection, 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. This policy is available at:

<https://sites.auburn.edu/admin/universypolicies/Policies/CollectionsContributionsandAccountsReceivablePolicies.pdf>

Policies and other information regarding sponsored programs can be found [here](#).

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 <https://sites.auburn.edu/admin/universypolicies/Policies/GiftsandSponsoredProjectsPolicy.pdf>

Amount: _____ Donor/Sponsor: _____

1. Is the funding provided directly or indirectly by a governmental agency (foreign, federal, state or local)? **YES NO**
If yes, please process the funding through the Office of Sponsored Programs (OSP).

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

3. Is a deliverable required? **YES NO**
If yes, please describe: _____

4. Are there any obligations of Auburn University expressed or implied (e.g. utilization of donor IP or donor rights to donor IP)? **YES NO**
If yes, please describe: _____

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

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

7. 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.

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

9. 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 #7, 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.**

Frequently Asked Questions

Policy on Distinguishing Gifts vs. Sponsored Awards in External Funding Received by Auburn University

1. Q: Is the nomenclature in an award document the final determinant of how the funds are processed at the University?

A: No, while the sponsor's or donor's labeling of funding to the University as a gift or sponsored award may show some indication of the sponsor's intent in providing the funds, the way that a sponsor or donor labels a financial contribution does not determine the University's classification of whether external funds transferred to the University should be a gift or a sponsored award. The terms and conditions that accompany external funds must be closely reviewed to determine whether there are restrictions over the use of the funds, including but not limited to specific faculty members, specific scopes of work, the obligation to produce specific deliverables, or specific reporting by budget line item. If a faculty member or administrator is unclear about the designation of an award, s/he should contact their college-level designee or OSP, either of which will consult with one another, as well as other University offices, as appropriate.

2. Q: How can it be a gift if reporting is required?

A: Reporting is an important aspect of all award types. Donors are entitled to know that their donation was spent for the intended purpose. The more detailed the reporting is, both in terms of specificity and frequency, the more likely the award is not a gift and is instead a sponsored award. However, it is important to remember that reporting requirements alone are not determinative of the classification of external funds as a gift or sponsored award.

3. Q: Does the inclusion (or exclusion) of overhead factor into determining whether these funds represent a gift or a sponsored award?

A: No, the classification of funds as gifts or sponsored awards is dependent on the terms and conditions accompanying the funding. The amount of overhead does not have any bearing on this classification.

4. Q: How can a sponsor of research be thought to receive a benefit from a sponsored award it provides? What is a "benefit received" by the funder?

A: In most cases a gift, although related to the philanthropic interests of a donor (for example, an interest in an area of scientific research or of humanities education), does not directly benefit the donor, except insofar as it promotes the donor's philanthropic interests. There is, in general, a less restrictive relationship between a donor and Auburn's use of a gift, than between a sponsor and Auburn's discharge of its duties under a sponsored award. A sponsor's interest is fundamentally tied to the purpose and goals of a sponsored award, and a sponsored award is typically intended to lead to the creation of new knowledge. A gift to a scientific department to promote studies or education in that area would be consistent with the donor's philanthropic interest in that topic, but the donor typically allows the department, the investigator or lab to whom or to which the gift is directed to determine the best specific uses of the funds. A sponsor expects that the investigator will execute the proposed research plan as proposed, or seek approval to vary from the proposed plan. In general, therefore, a donor of a gift expects less control over the use of the gift funds than a sponsor expects

over the use of a sponsored award. The gift donor most often trusts the recipient to use the gift for its own purposes, while a sponsor expects the recipient of a sponsored award to use the sponsored award as proposed. In executing a research plan as proposed under a sponsored award, the investigator, his or her department and school, and the University, presumably are yielding a direct benefit to the research agenda of the sponsor.

5. Q: What if the terms of external funding require a mechanism by which a funder would be asked periodically to approve specific program or research activities and/or specific uses of portions of funds. Would these terms render this funding a gift or a sponsored award?

A: This funding would likely be considered as a sponsored award, because of the lingering control of the funder over specific activities for which the funds would be used and/or the budgets for those activities. If at the outset of the funding there are no specific plans, this factor does not render such funding a gift if the funder retains future control that approximates that of a sponsor.

6. Q: What is meant by "significant value to donors" with regard to gifts?

A: In some cases, significant value associated with a gift requires consideration of many factors, including but not limited to, the mission of and potential benefit received by the funder, the value exchanged; the scope of work; whether there are any defined activities and, and if so, their nature and the specificity with which they are defined; the terms of accountability for use of funds and deliverables; and – in case of failure to complete the defined activities – the ability of the funder to recoup the funds provided or to obtain a refund (or receive a reversion) of unused funds.

7. Q: How are deliverables defined?

A: A deliverable is a tangible or intangible good or service produced as a result of a sponsored project. Examples of deliverables may include, but are not limited to, technical reports, financial reports, software, prototypes, etc.

Gifts typically carry no reciprocal obligations between donor and recipient, and are often unrelated (or only indirectly related) to the business interests or mission of the donor. It is not unusual for a donor to expect a report on the general uses of funds donated.