

# California State University, Sacramento Office of Research Administration

## Gift vs. Grant Guidelines December 2011

### Background and Context

On behalf of the faculty and the University, the Office of Research Administration is charged with pursuing, accepting, and administering a range of grants and contracts in support of faculty research, education, service and outreach activities of the University. The Office of Advancement/Development is charged with pursuing and accepting gifts and philanthropic donations in support of the broad educational mission of the institution. Typically the line between gift and a grant is made obvious by the application guidelines, the intent of the proposal to the funder, or the case for support being made to the donor. For instances when funds are not clearly defined as one or the other during the application process, additional coordination may be required to ensure that the institution's compliance and reporting obligations are addressed. The following guidelines aim to clarify roles and responsibilities to aid in the pursuit of the gift vs. grant determination.

Generally speaking, all federal, state and municipal applications for funding are sponsored agreements and are routed through the Office of Research Administration. With regard to corporate or private foundations, the routing may be less clear. When a competitive call for proposals is issued by a private funder, the Office of Research Administration is involved. When an unsolicited case statement or proposal is prepared for submission to a private funder, the Office of Development takes the lead. However, if the proposal is for an activity or outcome that may result in the award of a grant, regardless of the donor's gift and taxation intentions, it may be necessary to submit and administer the activity as a grant and thus route the proposal and budget for review (and possible amendment) and signature through the Office of Research Administration in advance of submission. This requirement is pursuant to CSU Executive Order 890.

No single indicator is, by itself, a characterization of a gift or a sponsored agreement (i.e. grants, contracts, agreements, etc.). All factors must be weighed to make a final determination. As noted above, in some cases proposals to private funders appear to be gifts at the case presentation or proposal stage, and thus are not routed through the Office of Research Administration. At the award stage, however, they are determined to be grants due to conditions set forth in the award letter/agreement. Compliance, budget and reporting considerations emerge when this occurs and must be addressed by the appropriate University office, beginning with the Office of Research Administration.

### Mandates and Definitions

**Gifts:** The Development Office is the campus unit authorized to accept and administer gifts which, as defined by the CASE standards, are, *"A contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution for which it has made no commitment of resources or services other than, possibly, committing to use the gift as the donor specifies. The contribution is a nonreciprocal transfer in that there is no implicit or explicit statement of exchange, purchase of services, or provision of exclusive information. If the donor*

*receives benefits in return for the contribution, the amount of the gift recorded and reported is reduced by the fair market value of all benefits given, according to U.S. Internal Revenue Service regulations. Whether or not an institution has an obligation to report to the donor how a gift is used or invested, such reporting is an important element of good donor stewardship.”* It is the University’s practice to process gifts through the University Foundation at Sacramento State.

**Sponsored Agreements:** According to Executive Order 890, sponsored agreements are grants and contracts. Grants are defined as “... *a financial contribution to a Recipient to carry out an approved project or activity. A Grant generally anticipates no substantial programmatic involvement of the Sponsor with the Recipient during performance of the project or activity, but Sponsors usually request an accounting of the use of funds and of results of the project or activity. The University or Auxiliary may commit resources or services as a condition of the Grant.*” Further, EO890 notes that a contract is defined as “... *an agreement between the University or Auxiliary and a Sponsor to provide an economic benefit, generally in the form of services, for compensation. The agreement is binding and creates a quid pro quo relationship between the parties.*”

EO 890 also stipulates that “...*proposals for sponsored programs shall not be submitted to the sponsor without prior written approval of the president’s designee and of the chief financial officer...*”

### **Internal Consultation Protocol**

If a Sponsored Research Officer (SRO) is approached by a faculty (or staff) member interested in pursuing funding from a private or corporate foundation, and it is not in response to an RFP or other open call for proposals, the SRO will begin working with the faculty member but will immediately alert the Office of Development (current designee: Vince Sales) of the particulars, including the name of the potential funder, the faculty member, the basic scope of work, the anticipated request amount, and the name of any contacts at the organization.

If a Director of Development (or Associate) is working with a faculty member or other member of the campus community on a proposal or case statement that may have deliverables, reporting requirements, tangible project outcomes, effort committed by university personnel, or any of the other typical hallmarks of a grant, the appropriate SRO is to be alerted and the proposal/case statement and draft budget is to be routed to the Research Administration office for review. If it appears that the submission, even if submitted as a gift proposal to the donor, might likely be classified as a grant upon acceptance, the proposal will need to be routed for approval in accordance with EO 890 and the basic terms and conditions are in place to properly administer the award through University Enterprises, Inc. (UEI).

### **Gift vs. Grant Decision Chart**

- Four major indicators of funding type are: **Scope of Work, Budget, Effort by University personnel, and Reporting.**
- Sponsored Agreements are reciprocal in nature — each party is giving and receiving something of relatively equal value in the transaction.
- Often, private foundations or corporations will require “grant agreements” from the recipient in order to demonstrate that they, as a sponsor, are meeting the criteria required of a charitable

organization. These agreements by themselves do not constitute conditions of a “sponsored agreement.” The Indicators outlined below must also be used to make the determination.

- Private foundations or corporations may also require financial reports or narratives from the recipient in order to demonstrate that the recipient is meeting the criteria required for funding as set forth in the grant agreement. Often these reports or narratives are necessary to release the next funding payment, or if the grant has been fully paid, for any subsequent approach to that funder. These reports by themselves do not constitute conditions of a “sponsored agreement.”

CATEGORY of INDICATOR	GIFT INDICATOR	SPONSORED AGREEMENT INDICATOR (i.e. grant or contract)
<b>Source of Funds</b>	Individuals Foundations Non-profit organizations Corporations Corporate foundations Donor Advised Funds	Government agencies (federal, state, local) Foundations Non-profit organizations Corporations Corporate foundations Other universities
<b>Sponsor Intent/ Purpose</b>	The donor may specify an area of interest or a goal to be funded. Generally, funds are provided in the spirit of philanthropy.  Funded activities may include endowments, scholarships, capital projects or general student financial assistance.	The sponsor specifies how the funds should be used as outlined in the supporting documentation (i.e. proposal, award letter, grant agreement). Generally, the sponsor provides funding with the intent to accomplishing something specific. Activities to be performed may include research, instruction, curriculum development, training or public service.
<b>Mission of and benefit to resource provider</b>	Items are directly related to the recipient's mission, while only indirectly related to the resource provider's business. <i>This is typical of family foundations.</i>	Items are directly related to the resource provider's business activities and may or may not be directly related to the recipient's mission. <i>(i.e. organizations with a specific mission such as Intel Corporation)</i>
<b>Value Exchange</b>	The donor receives no or nominal value in exchange for the funding provided other than recognition  No deliverables (reports or IP rights) are provided to the donor in exchange for the funding. However, a brief summary of the results of supported activities and/or a general statement of how funds were used may be provided.	The sponsor is entitled to receive value, which may include reports, data, results, intellectual property (IP) rights, publication rights, etc.
<b>Scope of Work (SOW)</b>	The donor expresses support of the general goal of an activity with no expectation on specific implementation.	The sponsor approves the proposed implementation plan set forth in the proposal and requires notification of changes in the scope of work.
<b>Budget</b>	There is no requirement for a line item budget or restrictions on the use of the funds other than it must be consistent with the stipulations of the donor.  F&A/Indirect Costs are often not included in the request, but an administration fee or some other form of reimbursement for administration is often appropriate (ex. 1-7% admin fee).	The request for funding includes a detailed, line-item budget describing how the funds will be used, and there are often specific restrictions on how the funds can be used.  Per University and UEI policy, F&A/ Indirect Costs at the approved campus rate are included on all proposals except when the sponsor mandates a lower rate.
<b>Effort</b>	Commitment of effort by specific university personnel cannot be a component of the budget.	Effort by university personnel is outlined in the budget and must be tracked and reported to UEI and the University.

<b>Excess Funds</b>	Unspent funds do not have to be returned.	Unspent funds must be returned to the sponsor. <i>Exception: fixed price agreements.</i>
<b>Penalty for Non-Performance</b>	No penalties are incurred for failing to use all the funds.	There may be penalties for failing to use the funds or deliver items or meet project goals on a timely basis.
<b>Proposal Process</b>	Initiated by donor, advancement staff or a faculty member.  If submitting to a private foundation or a corporation, notify the appropriate Sponsored Research Officer in the Research Administration office to the submission.	Initiated by a faculty member or other campus administrator working in conjunction with the Research Administration office.  If submitting to a private or corporate foundation or a corporation, notify Vince Sales in the Development Office of the submission.
<b>Award Document</b>	Letter of Donation Gift Agreement	Award Letter Grant Agreement Contract Subaward/subcontract Cooperative Agreement
<b>Authorizing signature</b>	Signature by University Advancement/Development official acknowledges intent to receive funds by donor. If a development activity results in a sponsored agreement, the Research Administration office must be alerted and appropriate University signatures must be obtained in accordance with EO 890.	Signatures of the president's designee (i.e. AVP for Research Administration) and the chief financial officer (CFO/VP for Administration and Business Affairs) must be obtained before submission of grant or contract proposals to the sponsor.  Award documents require a signature from an authorized official binding UEI to the terms and conditions of the proposed project in accordance with EO 890.
<b>Period of Performance</b>	Typically no time period is associated with the use of funds.	Specific start and end dates are outlined for conduct of the project or activity.
<b>Reporting</b>	The institution has little or no obligation to report to the donor on how the gift is used or invested. The institution is not prevented from providing such reports, but rather uses the opportunity for donor stewardship. Required reporting is limited to details of how, when and to whom funds were disbursed as well as statements of earning when applicable.	Technical and/or fiscal reporting is required, and requirements for retention of records may also be specified.

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