

Northeastern University Guidance on Defining and Distinguishing Between Gifts and Sponsored Projects (including Research)

Both sponsored projects (which includes research) and gift funded activities are externally-supported, with funds typically provided in response to a request or proposal, be it formal or informal. The classification of funding as "gift" or "sponsored project" will affect, among other things, the way Northeastern University (hereafter NU) accounts for the funds, calculates and applies Facilities & Administrative (F&A) costs (also known as indirect costs or overhead), and reports on the use of the funds to the sponsor or donor and to the Office of the President. The following summary outlines the campus procedure for defining and distinguishing between gifts and sponsored projects. If you have any questions, after reading the information below, please contact the Office of Research Administration and Finance at extension 5600.

DEFINITIONS:

Sponsored Projects are externally-funded activities in which a formal written agreement, i.e., a grant, contract, or cooperative agreement, is entered into between NU and the sponsor. Sponsored projects typically have a specified statement of work with identified deliverables, allow for detailed financial accounting, and have a budget which may include direct and indirect costs of the research or sponsored activity.

One or more of the following conditions characterize a sponsored project agreement, and help to distinguish such agreements from gifts:

1. Statement of Work

Sponsored projects are typically awarded to NU in response to a statement of work or commitment to a specified project plan. As described below, this statement of work is sometimes supported by both a project description and a line-item budget, both of which are considered useful to financial accountability. The statement of work and budget are usually described in a written proposal submitted and signed off by NU to the sponsor for review and agreement.

2. Detailed Financial Accountability

The sponsored project agreement could include detailed financial accountability, typically including any of the conditions below:

- a line-item budget related to the project plan. The terms of the agreement may specify allowable or unallowable costs, requirements for prior approvals for particular expenditures, etc.
- specified period of performance, typically defined with "start" and "stop" dates
- requirement to return any unexpended funds at the end of that period
- regular financial reporting and audit requirement, including, for federal and state awards, accountability under the terms of OMB Circular A-21 "*Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements With Educational Institutions*" and OMB Circular A-110 "*Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*"

These conditions generally define the level of financial accountability associated with a sponsored project.

3. Required Deliverables

Sponsored project agreements also might usually include contractual considerations such as terms and conditions for the disposition of tangible properties (e.g., equipment, technical reports, lab notebooks) and/or intangible properties (e.g., intellectual property, rights in data, copyrights, inventions), submission of progress reports or final reports, and other services or considerations specified by the sponsor.

While not all of the above conditions are necessary to define a sponsored project, they are collectively indicative of the increased level of accountability associated with such projects.

Gifts, on the other hand, are defined as any item of value given to the University by a donor who wishes to support a faculty member or group of faculty members, and who expects nothing of significant value in return, other than recognition and disposition of the gift in accordance with the donor's wishes.

Therefore, a gift is designated as such when it is provided as unrestricted funds or as an in-kind contribution to support the research of one or more specified faculty members or research programs.

In general, the following characteristics describe a research gift:

1. Gifts do not carry restrictions, no contractual requirements are imposed and there are no deliverables to the donor. If restrictions are imposed on the use of funds, such funds will be regarded as a sponsored project and treated accordingly. A gift may, however, be accompanied by an agreement that specifies the use of the funds for a particular purpose.

2. A gift is irrevocable. While the gift may be intended for use within a certain timeframe, no "period of performance" (start/stop dates) is specified - *contrast with the definition of a sponsored projects as described above.*
3. There is no formal fiscal or reporting accountability to the donor beyond letters of use. These updates may be thought of as requirements of good stewardship, and, as such, may be required by the terms of a gift. They are not characterized as contractual obligations or deliverables.

DISTINGUISHING BETWEEN GIFTS AND SPONSORED PROJECTS (OR RESEARCH):

Distinctions Based On Source of Funds

All funds provided by U.S. Government agencies, at the federal, state, or local level, in support of NU activities are treated as sponsored project funding. Government funds are not to be treated as gifts.

Funding from established Foundations with formal websites, which might include instructions on the grant application process, and management of awarded funds or terms and conditions, such as Voluntary Health Organizations, Professional Associations or Societies such as the American Cancer Society or American Heart Association, and Corporate Foundations are treated as a sponsored projects.

THE DECISION-MAKING PROCESS IN UNCLEAR SITUATIONS:

In some cases, the distinction between gifts and sponsored projects (or research) can be difficult to draw. If PIs, departments or units need assistance in determining whether an interaction should be managed as a gift or a grant, please contact the Office of Research Administration and Finance (x5600).

The flow chart below provides a quick reference for distinguishing between a *sponsored project* and a *gift*.

