

Clarifying the Definitions of Grants vs. Gifts

The following is presented as a guideline to determine if funds received from external sources should be treated as a grant/contract or a gift.

- A **grant/contract** is an externally funded activity where there is an agreement representing the transfer of money or property from a sponsor in exchange for specific services, often including rights to and products derived from the services, some formal financial and/or technical reporting by the University as to the actual use of the money or property provided. The agreement is enforceable by law, and performance is usually accomplished in a specific time frame, with support being revocable for cause.
- A **gift** is a voluntary and irrevocable transfer of money, services or property from an external donor for either unrestricted or restricted use of the University/ Foundation in the furtherance of the University/Foundation where there has been no commitment of resources or services other than, possibly, the committing to use the gift as the donor specifies.

Grants/Contracts will have one or more of the following characteristics:

- Money or property is awarded for a grant proposal submitted by the University in response to a request for proposal, published guidelines or through a competitive application process.
- Sponsor is a governmental agency (or is awarding governmental flow-through funds).
- Money or property is to match a government-funded project.
- The award is a contract, cooperative agreement, consortium agreement, grant, sub grant or subcontract.
- Money or property is awarded for the purpose of research, program development/operation, curriculum development, training, community service, planning or some other specific activity.
- Money or property is provided to achieve a specified scope of work or provide a specific product, service or other expected results within a specified period of time.

- The activities involve the use of University facilities or other University resources.
- The sponsor places restrictions on the use of funds and/or retains the right to revoke the award. The sponsor specifies how funds are to be used and requires prior sponsor approval for changes from the originally approved budget items and disallowance of certain costs.
- Funds are deposited in a University account and the University is responsible for administration of the funds.
- Project involves regular payment of salaries or wages (from the sponsored funds) through the University's payroll system.
- The sponsor requires external audits, detail financial reports, invoices and/or technical status reports as a condition of the award.
- The sponsor requires that any unused funds be returned.
- The sponsor stipulates a variety of other terms and conditions, such as publication restrictions, rights to tangible and intangible assets, compliance with federal and state regulations, allowable and unallowable costs, subcontracting, insurance, indemnification and hold harmless clauses, protection of proprietary or confidential information, modifications, penalties, remedies, termination etc.

Gifts have some or all of the following characteristics:

- The award is from an individual.
- Donor refers to the award as a gift, donation or contribution and intends the award to be a charitable gift as reflected by the absence of any quid pro quo.
- The award is from a non-governmental source and is given for such activities as endowments, capital projects, general student financial assistance or other general operations of the University/Foundation.
- The award is given with few terms beyond specifying general intent. Any conditions or stipulations placed on the use of the award are reasonable and serve only to direct the award to support the desired area of interest to the donor.
- The award is given irrevocable and therefore, the donor relinquishes the rights to reclaim the award or any unused portion.

- No financial, technical or progress reports are required. However, courtesy, non-technical reports may be supplied.
- The donor makes the award to the University/Foundation without expectation of direct economic or other tangible benefit commensurate with the value of the award. Indirect benefits such as tax advantages, business or personal goodwill, and benefits derived from donor club status are of an immaterial nature and not sufficient to negate the gift intent.

HOW TO DETERMINE IF IT IS A GIFT OR SPONSORED ACTIVITY

