

Drexel University Policy
On The
Definition of Gifts and Sponsored Projects and Related Administrative Responsibilities

1. INTRODUCTION

Both sponsored projects and gift-funded activities are externally-supported, with funds provided by sponsors and donors, typically in response to a proposal or request. The classification of funding as "gift" or "sponsored project" will affect, among other things, the way Drexel University and its affiliates (the "University") accounts for the funds, calculates and applies F&A (indirect) costs, and reports on the use of the funds to the sponsor or donor.

2. DEFINITIONS

A. Sponsored Projects: Sponsored projects are externally-funded activities in which a formal written agreement, e.g., a grant, contract, or cooperative agreement, is entered into by Drexel and the sponsor. The following conditions characterize a sponsored project agreement, and help to distinguish such agreements from gifts:

- *Statement of work.* Sponsored projects are typically awarded to Drexel 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 for financial accountability. The statement of work and budget are usually described in a written proposal submitted by Drexel to the sponsor.
- *Detailed financial accountability terms.* The sponsored project agreement typically includes detailed financial accountability, typically including such conditions as:
 - 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.;
 - a specified period of performance, typically defined with "start" and "stop" dates;
 - a requirement to return any unexpended funds at the end of that period;
 - regular financial reporting and audit, including, for federal and state awards, accountability under the terms of OMB A-21, Cost Principles for Educational Institutions (relocated to 2 CFR, Part 220) and OMB A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (relocated to 2 CFR, Part 215).

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

of financial accountability associated with such projects.

- *Disposition of properties ("deliverables").* Sponsored project agreements also usually include terms and conditions for the disposition of tangible properties (e.g., equipment, records, specified technical reports, educational materials, theses or dissertations) or intangible properties (e.g., rights in data, copyrights, inventions). The presence of such terms and conditions in the agreement indicate that the activity is a sponsored project.

B. Gifts: 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, the following characteristics describe a gift:

- Gifts may be accompanied by an agreement that restricts the use of the funds to a particular purpose; beyond that, no contractual requirements are imposed (beyond the requirements of responsible stewardship) and there are no "deliverables" to the donor, e.g., no rights to tangible or intellectual property.
- A gift is typically irrevocable. While the gift may be intended for use within a certain timeframe, there is usually no specified "period of performance" or "start"/"stop" dates as are typically associated with sponsored projects.
- There is no **formal** fiscal accountability to the donor beyond periodic progress reports and summary reports of expenditures. These reports 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."

Drexel uses restricted gifts as the donor specifies, and does not accept gifts that it cannot use as the donor intends. If circumstances change such that a gift cannot be used as the donor specified, the donor must approve a change in the original restriction, or Drexel must receive court approval to waive the restriction (if the donor cannot be contacted). University approval for changes in the purpose of a gift fund can only be granted by the Provost.

3. IMPLEMENTATION AND ADMINISTRATIVE ISSUES

A. Guidance for Properly Distinguishing Gifts from Sponsored Projects

- *Distinctions based on source of funds.* Any funding provided by U.S. Government agencies, at the federal, state, or local level, in support of Drexel activities is treated as sponsored project funding. Government funds are not treated as gifts.
- *Distinctions based on intent of donor/sponsor.* In remaining cases, e.g., where funding is being provided by corporations, foundations or others not specified above, the distinction between whether funding is managed as gifts or sponsored projects will be made based on the proposal, statement of work, and terms of the agreement, taking into consideration the intent of the donor/sponsor. Note that, in some situations, communications, including proposals and awards as well as conversations, make it clear that the donor's/ sponsor's intent is to classify an award to Drexel as a gift or as a sponsored project. In some cases, the terms of the

accompanying agreement may have to be adjusted in consultation with the donor/sponsor in order to clearly document the intent and avoid unintended classification. See section 3B below.

- *Decision-making in unclear situations.* In some cases, the distinction between gift and sponsored project can be difficult to draw. Donors may sometimes use the word "grant" when the donation qualifies as a "gift" or vice versa. When an individual is in doubt about the proper classification and handling of funds provided to Drexel, the Office of Research Administration and the Office of Institutional Advancement should be consulted. This consultation will typically take place with the involved school or college, involving the Dean's office as needed. If a situation remains unclear, staff from the Offices of Research Administration and Institutional Advancement consult with the Senior Vice Provost for Research and the Chief Financial Officer. Attachment A to this policy, Decision Tree for Determining Whether Funds are Managed as a Gift or Sponsored Project, defines this process, offices to be consulted, and materials to be reviewed. In those cases where the determination is not initially clear, and where the final determination is to accept the funds as a gift, the form in Appendix B, Checklist for Determining Whether Funding is a Gift or Support for a Sponsored Project, must be completed and attached to the Gift Transmittal Form.

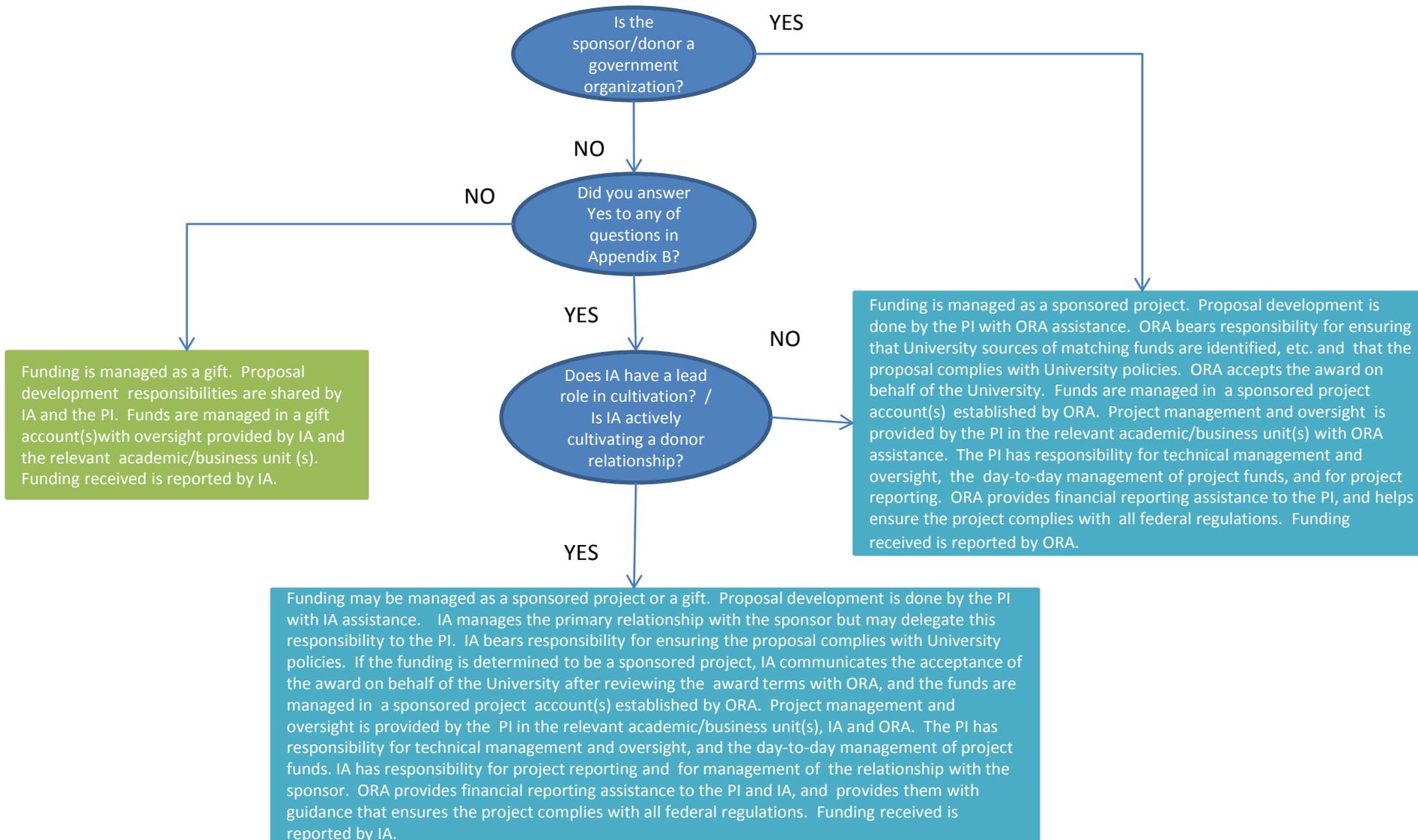
B. Administrative Issues

- *Account set-up.* Whenever a new account for a gift or sponsored project is requested, the responsible organization (Office of Research Administration in the case of sponsored projects, and the Office of Institutional Advancement in the case of gifts) verifies that the account being set up is proper, in accordance with the definitions in this policy. These offices are responsible for assuring that a proper determination for gift or sponsored project management has been made.
- *Donor/sponsor relations.* In resolving issues related to the classification of an award, Drexel personnel must strike the appropriate balance between the interests and preferences of the donor/sponsor and the University's administrative policies and objectives. In the process of resolving these issues, in some cases 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.
- *Cost sharing implications.* Drexel policy and federal regulations define cost sharing as that portion of total costs of a sponsored project agreement borne by the University, rather than by the sponsor. Committed cost sharing, i.e., that which a sponsor would otherwise pay, which Drexel offers in its proposal and is accepted by the sponsor, must be funded from a non-federal source and charged to a separate cost sharing account. Gift funds may be used to meet a cost sharing commitment on a sponsored project if the purpose of the gift so allows. In some cases, a donor requires that their gift funds be leveraged with other resources, for example, matching gifts. In these cases, the donor typically expects Drexel to use other gift funds to meet the requirement for matching or additional funding requirements. The Office of Institutional Advancement is responsible for ensuring

- that the University's intent to match a donor's gift is met.
- *Facilities & Administrative (F&A) cost implications.* Drexel's policy is to apply the University's full applicable F&A (indirect) cost rate to all sponsored projects. The University's Cost Sharing Policy describes the procedures to be used when requesting waivers of F&A costs.

Appendix A. Decision Tree for Determining Whether Funds are Managed as a Gift or Sponsored Project

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Appendix B
Checklist for Determining Whether Funding is a Gift or Support for a Sponsored Project

PI/Recipient: _____ College/School/Dept: _____ Date: _____

Sponsor/Donor: _____ Project Title: _____ Amount: _____

Instructions for Completing the Checklist:

Answer all seven questions in the checklist below, and include comments whenever necessary. To use this form, review all the documentation associated with the funding for indications that will help you to determine whether the funding should be considered support for a **sponsored project** or a **gift**. Documentation may include some or all the items listed below.

1. Statement of Work or Project Description
2. Proposal or Letter of Intent, or request for funding including budget
3. Award Letter
4. All correspondence

Checklist:

FUNDING SOURCE:				
1	Is the funding provided by the U.S. Government, at the federal, state or local level? Comments:	If YES, STOP, this is a SPONSORED PROJECT.		
IF THE ANSWER TO THE QUESTION ABOVE WAS NO, RESPOND TO THE QUESTIONS BELOW		YES	NO	UNCERTAIN
2	Is this funding to accomplish a specific Statement of Work (a commitment to a specific project plan, as opposed to a general field of study or research area; the commitment describes a specific line of scholarly inquiry such as testing of a hypothesis, experiments, a model project or a defined set of deliverables)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Is there a detailed line item budget for work (e.g., commitment of percentage of effort)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Does the funding agreement require return of any unexpended funds at the end of a designated period (i.e., "Start" and "Stop" dates)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Does the funding agreement require detailed financial reporting beyond a summary report of expenditures (i.e. line item detail, percentages of effort)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the funding agreement include terms and conditions for the disposition of tangible property (i.e. equipment, records, technical reports, theses, dissertations or other deliverables)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the funding agreement include terms and conditions for the disposition of intangible property (i.e. intellectual property, rights in data, copyrights)? Comments:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Check one box below, and process accordingly.

Gift: If answers to questions 2-7 are "No", this indicates that the funding is a gift. Keep the completed checklist in your departmental project file, and complete a Gift Transmittal Form.

Sponsored Project: If most of the responses to questions 2 – 7 are "Yes", this indicates that the funding is for a sponsored project. Keep the completed checklist in your departmental project file.

Uncertain: If you answered "Yes" to one or more of questions 2 – 7 and thus you cannot determine with certainty whether the funding is a gift or a sponsored project, review with your Dean's Office and with the Office of Research Administration (ORA). These offices may also confer with the Senior Vice Provost for Research for final resolution. If the funding is determined to be a gift, attach a signed copy of this checklist indicating the final determination to the Gift Transmittal Form, along with a Conditions of Gift letter.

Determination made by: _____ **Date:** _____

If consultation is needed,
Dean's Office _____ **Date:** _____
VP, Research Administration: _____ **Date:** _____

Final Determination: Gift ____ Sponsored Project ____