Gift vs. Grant Determination Process and Indicator Checklist

Funding, particularly when received from a non-profit entity (i.e., foundation, corporate foundation, private organization, or corporation), is sometimes difficult to classify as a gift or grant.

The definitions provided below are intended to clarify the differences between "Gifts" and "Grants." Additionally, the Table of Indicators below may be helpful in classifying unclear awards.

In order to make the most accurate decision between what is a grant and what is a gift, all components of information related to the gift/sponsored project should be reviewed by the PI and any other participant who may be appropriate to be a part of the decision-making process. Internally, this may include administrative leadership, Office Philanthropy and Engagement representatives, the Principal Investigator (PI), the department or college administrator, and/or staff from Sponsored Programs (SP).

The review should be discussed with SP personnel, whom, in collaboration with Philanthropy personnel, will aid in making a final determination on whether the project funds should be treated as a gift or as a grant. In cases where there is a question regarding whether an activity for which external funding is sought constitutes a grant or a gift, a determination will be made that will be in accordance and compliance with Generally Accepted Accounting Principles (GAAP).

SP and Philanthropy personnel, when making the determination, may seek clarification, question a decision, ask for justification, or solicit additional documentation to ensure that the donor's/sponsor's intent is honored. Back-up documentation should reside in SP or the Philanthropy Office.

Definitions:

A **gift** is the voluntary, non-reciprocal transfer of money or property from a donor to an institution. The donor may be an individual, a corporation or a non-profit organization. The donor does not expect anything of value in return other than recognition and does not exert control over expenditure of the funds. A gift may meet the interests of the donor and can be restricted or unrestricted. A restricted gift is a contribution designated for a specific purpose, program, or project. If the donor does not specify any restrictions, the gift is unrestricted and the institution allocates the funds according to its own discretion. Only the Philanthropy Office may accept gifts on behalf of the University.

A **grant** (i.e., "sponsored program" funding, or "award") is the transfer of money or property from a sponsor to an institution that may require performance of specific duties such as

research, budget reports, progress reports, and return of unused funds. Any funding provided by U.S. Government agencies, at the federal, state, or local level, in support of ETAMU activities is treated as a grant. Government funds are not treated as gifts. Funding from voluntary health organizations or associations, such as the American Cancer Society or American Heart Association, is usually treated as a grant and not a gift.

If the characteristics of the funding fall within both categories, the following factors will be taken into consideration for determining whether the funding is a gift or a grant. The presence of any single factor does not represent the condition of a gift or a grant. To determine if a transaction is a gift or a grant, all of these factors should be considered simultaneously. In cases where there is a question as to whether an activity for which external funding is sought constitutes a grant or a gift, SP personnel will work with Philanthropy personnel to determine what procedures should apply.

Checklist for Determining Whether Funding is a Gift or a Grant

To aid in the determination of whether the funding under consideration is a gift or a grant, the checklist below is provided. Please provide an answer to all eight questions and include comments whenever necessary. To help in the decision, review all of the documentation associated with the funding for indications that will help you determine whether the funding should be considered support for a grant or a gift.

Documentation that will aid in the decision includes some or all of 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?

   _____Yes   _____No

   Comments:

   If YES, this is a SPONSORED PROGRAM (GRANT).

2. Is the funding provided by an individual (not an organization)?

   _____Yes   _____No

   Comments:

   If YES, this is a GIFT.

   IF NEITHER OF THE ABOVE IS TRUE, DOES THE DONOR/SPONSOR REQUIRE:

3. A 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 an hypothesis, experiments, a model project or a defined set of deliverables)?

   _____Yes   _____No

   Comments:

4. A detailed line item budget for work (i.e., commitment of percentage of effort)?

    _____Yes   _____No

    Comments:

5. A return of any unexpended funds at the end of a designated period (i.e., "Start" and "Stop" dates)?

    _____Yes   _____No

    Comments:

6. Detailed financial reporting beyond a summary report of expenditures (e.g., line item detail, percentages of effort)?

    _____Yes   _____No

    Comments:

7. Terms and conditions for the disposition of tangible property (e.g., equipment, records, technical reports, theses, dissertations, or other deliverables)?

    _____Yes   _____No

    Comments:

8. Terms and conditions for the disposition of intangible property (e.g., intellectual property, rights in data, copyrights)?

    _____Yes   _____No

    Comments:

<u>Circle one choice below, and process accordingly</u>.

Sponsored Program (Grant): If you answer "Yes" to Question 1, or to <u>any</u> of questions 3 – 8, the funding should be considered support for a ***sponsored program, (grant)***.

Gift: If you answer "Yes" to Question 2, or "No" to <u>all questions 3 – 8</u>, the funding should be considered a ***gift***.

Determination: Gift_____   Sponsored Program (Grant)_____

Uncertain: If you cannot answer any one question with certainty, review it with SP personnel.

To obtain help with the determination of the funding class, please submit the following information to SP.

PI/Recipient: _____Dept: _____

Date: _____Sponsor/Donor: _____

Project Title: _____ Amount_____

Final Determination: Gift   Sponsored Program (Grant)

Initial Department Determination Made by: _____ **Date**: _____

Sponsored Programs: _____ **Date:** _____

TABLE OF INDICATORS

FACTOR	GIFT INDICATOR	GRANT INDICATOR
Source	Individuals Non-Profit Organizations Corporations Corporate Foundations Other (*Donor-Advised Funds*) Private Foundations Family Foundations are generally treated as individuals.	Government Agencies - Federal, State, or Local Sources of Public Funding Voluntary Health Organizations Corporations Corporate Foundations
Purpose	The donor may specify an area of interest or goal to be funded with their gift; the donor may also "direct" a gift for a specific purpose (i.e. in the event a budget is provided and the donor agrees to support how funds will be spent.)	The sponsor specifies how and when funds should be used, as outlined in supporting documentation (award letter or grant agreement).
Value Exchange	No implicit or explicit value is exchanged other than recognition. Represents a "contribution", a transfer of cash that is voluntary and non-reciprocal.	Sponsor may request tangible items of value (intellectual property, data, etc.). Represents an "exchange transaction" in which each party receives commensurate value.
Reporting	Some reporting may be required and requested as part of the agreement. 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 earnings when applicable.	Sponsor requires performance of specific duties such as research, budget reports, progress reports, and return of unused funds, as well as restrictions on how funds can be expended.
Proposal Process	Initiated by donors, advancement staff, or faculty members.	Initiated by the Sponsor, faculty members, or advancement staff *(working together with Sponsored Programs)*.
Document	Letter of Donation/Gift Agreement, although the term "grant" may be used in such an agreement.	Award Letter and/or Grant Agreement
Deadline/Terms	A time period for receiving/spending funds may be specified in the agreement based on what is outlined by the University and Foundation in the initial proposal. There may be a discussion with the funder regarding extension if needed.	Typically requires a specific time period for conducting projects.
Excess Funds	N/A	May be required to return to the sponsor.
Penalty for Non-Performance	No penalties for failing to use the funds. There may be an opportunity for discussion with the funder regarding approval for alternative uses of funds. Typically, money does not need to be returned to the funder.	Penalties may exist for failing to use the funds or to deliver the items on a timely basis.
F&A (Facilities and Administrative) Cost Rates*	Administrative costs rates vary based on IDC allowed by private foundations.	F & A Cost Rates* as defined by DHHS and administered by SP.

Grant *vs* Gift

	Grant	**Gift**
Description	Represents an "exchange transaction" in which each party receives commensurate value	Represents a "contribution," an unconditional transfer of cash which is voluntary and non-reciprocal.
Reporting	Usually has reporting requirements or specific restrictions on how the funds can be spent	No reporting, no restrictions
Time Period	Usually has a specified time period over which the work will be done (a start date and an end date)	No specific time period
Funding	Sometimes requests that unused funds must be returned to the awarding agency/foundation/ corporation	Usually all of the funds are received upfront. ETAMU is given unconditional rights to the funds and funds do not need to be returned to the sponsor