ARKANSAS STATE UNIVERSITY
GOVERNING PRINCIPLES TO DIFFERENTIATE BETWEEN SPONSORED PROGRAMS AND GIFTS

1.0 INTRODUCTION

Arkansas State University (ASU) is committed to advancing research/scholarship activities by providing the faculty with tangible support (within its financial limits) including release time, summer salary, start-up funding, matching funds, university funding for research activities, etc. It is likewise committed to advancing administrative clarity by providing managers and researchers alike the framework within which research activities are categorized and supported.

2.0 PURPOSE

The purpose of this document is to differentiate between gifts and sponsored programs and to outline a general framework for their proper solicitation, administration, and accounting.

3.0 DEFINITIONS

Facilities and Administrative Costs (F&As). F&As are broad categories of costs that are incurred for common or joint objectives and cannot be identified readily and specifically with a sponsored project, an instructional activity, or any other institutional activity. "Facilities" refers to depreciation and use allowances, interest or debt associated with certain buildings, equipment and capital improvements, and operation and maintenance expenses. "Administration" is defined as general administration and expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically in one of the subcategories of Facilities (including cross allocations from other pools.[1]

Gifts. Gifts are defined as items of value that are donated by an individual who expects nothing of significant of value in return, other than recognition and disposition of the gift in accordance with his/her wishes. In general, the gift characteristics include the following elements.

- No contractual requirements are imposed and there are no "deliverables" to the donor. However, the gift may be accompanied by an agreement that restricts the use of the funds to a particular purpose.
- A gift is typically irrevocable. While the gift may be intended for use within a specific timeframe, there are no "start" or "stop" dates that are normally associated with sponsored projects.

[1] OMB Circular 21, Revised 5/10/04.

- Formal fiscal accountability reports to the donor are generally not required, though periodic progress and/or summary reports may be requested. Though characteristic of good stewardship, these reports are not usually contractually obligated.

Sponsored Programs. Sponsored Programs are externally-funded activities in which a university enters into a formal written agreement with a sponsoring entity to provide services in a specified area of interest. The agreement may take the form of a grant, contract, or cooperative agreement and generally includes a statement of work, provision for Facilities and Administration costs, detailed financial accountability, a specified period of performance, a requirement to return unused money at the end of the funding period, terms and conditions for the disposition of tangible assets (e.g., equipment, records, technical reports, etc.) and requirements for adherence to state and federal guidelines where applicable. Such submissions are often competitively reviewed. Examples include:

- awards to support research activities
- external Faculty "Career Awards" to support research efforts
- external funding to maintain facilities or equipment and/or operation of a center or facility which will be used for research
- external support to write books, when the purpose of is to publish research results.

4.0 APPLICABILITY

These governing principles affect all University employees and affiliated workers who are not employed by the University but may work collaboratively with faculty and/or staff.

5.0 REGULATIONS

Governing Principles and Procedures for Preparation of Sponsored Program Requests

6.0 GOVERNING PRINCIPLES

6.1 Overview

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

ASU agrees to use 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 ASU 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.

6.2 The Distinction between Sponsored Programs and Gifts

The distinction between sponsored programs and gifts can be subtle, so it is important to recognize the difference so that sponsors are approached appropriately and gifts and grants are managed and accounted for properly. There is a fundamental difference between a "gift" and a "sponsored program" and each follows separate paths. Gifts are bestowed voluntarily, without expectation or receipt of direct economic benefit, whereas sponsored programs are awarded to support a project with a defined scope of work from which the sponsor expects certain performance objectives to be achieved. The Offices of Research and Innovation and Sponsored Programs establish and manage sponsored program funds; the Development Office oversees the cultivation and stewardship of gift funds.

The following provides differentiating characteristics of gifts and sponsored programs.

Characteristic	**Gift**	**Sponsored Program**
Federal, state, local sources of public funding	Never	Always
Nonprofit funding	Rarely	Usually
Corporate funding	Sometimes	Rarely
Funds support direct mission of University	Yes	Yes
Funds support mission of sponsoring agency	Usually not	Yes
Value exchange; sponsor may request tangible items of value; e.g., intellectual property, data, etc.	Little or no value exchange	Yes
Specifies the goal of an activity and, in some cases, specifies how to accomplish the activity.	Expresses goal only.	Specifies goal, and may also specify "how-tos."
Penalties for non-performance	Return of unspent funds or unused materials.	Penalties may exist for failing to deliver items on a timely basis. Sponsor may include audit and compliance terms.
Publication and data review	Sponsors place few restrictions on review of results before they are made available.	Sponsor may place restrictions on how results are reviewed before being made available to a wider audience.
Time period	No time period is specified.	There is a specified time period over which the funds will be expended.

Reporting	The institution has no obligation to report to the donor how the gift is used or invested[2], but the institution may do so as a component of donor stewardship.	Technical, programmatic, and/or financial reports are required.
Tax Benefits	Foundations expect the University to provide a receipt for tax purposes.	None

If in doubt, refer to the statement of work, terms of agreement, and the intent of the donor or sponsor. If the appropriate classification is still unclear, the Associate Vice Chancellor for Research, the appropriate Dean, and the University's Development Officer will confer and resolve the question.

6.3 Coordination and Clarification

To facilitate the solicitation and management of gifts and sponsored programs from corporations, foundations, and other private sponsors, the Offices of Research and Development shall maintain systems that consistently report and share information. It is acceptable for each to account for the same grant and/or gift as long as the records so note that it has been accounted for in each place, and as long as the institutional definitions for grants and gifts are satisfied.

[2] CASE Management Reporting Standards Addendum (Nov. 2002).