

Policy Statement on Administration of Gifts and Sponsored Projects
University Advancement and Office of Grants and Contracts
(updated 4/09)

Purpose: The purpose of this policy is to provide guidance in defining gifts and sponsored projects, assign the administration of each to the appropriate University entity, and provide a review process for those cases where administrative responsibility is unclear.

Administrative Responsibilities

Faculty members receive extramural support for their research and creative activities, instructional programs, and public service projects through two principal mechanisms: sponsored projects and gifts. Due to the varied and sometimes overlapping paths by which funding for sponsored projects and corporate and foundation giving are solicited, it can be unclear whether the awarded funds fall under the purview of the Office of University Advancement or the two sponsored research offices of Northern Arizona University, the Offices of Grant and Contract Services and Sponsored Project Services.

Office of University Advancement

The Vice President for University Advancement serves by authority of the president of Northern Arizona University as the executive officer responsible for planning and coordinating all programs and activities designed to secure private philanthropic support for the University, its colleges, schools, units and programs. Accordingly, all annual giving, major gifts, capital campaigns, and planned giving, as well as other college and unit-based programs to raise private funds, are approved and coordinated through the Office of University Advancement.

Northern Arizona University Foundation

The Northern Arizona University Foundation is a separate nonprofit entity that is responsible for receiving solicited and unsolicited gifts (cash and non-cash) on behalf of the University, receipting those gifts to donors, and investing the funds for the benefit of the University. The Foundation is under the direction of the President of the Foundation, who reports to the Board of Directors of the Foundation.

Office of Grant and Contract Services

The Office of Grant and Contract Services (OGCS), which reports to the Vice President for Research, is the central administrative office responsible for reviewing, authorizing, and submitting proposals for extramural funding; negotiating and accepting awards; authorizing the establishment of restricted fund accounts, and providing administrative oversight of funded projects.

All sponsored project proposals must be approved and coordinated through OGCS prior to submission. The list of individuals authorized to sign documents on behalf of the Arizona Board of Regents includes the Director of OGCS. (A complete list may be obtained through the Office of the President.) The Director serves as the Authorized Organizational Representative (AOR) for sponsored projects. The AOR's signature documents institutional approval to submit the proposal on behalf of the investigator and certifies the University's commitment to provide the stated resources to support the proposal, as well as to any certifications and attestations required by the sponsor.

Office of Sponsored Project Services

The Office of Sponsored Projects Services (SPS), which reports through the Comptroller to the Vice President for Administration and Finance, provides fiscal control, preparation of financial reports and monitoring of accounting records for all grants, contracts, and restricted funds. SPS is the authorized fiscal office for sponsored project funding.

Criteria for Defining Sponsored Projects and Gifts

Neither the process by which funds are acquired, nor the source of the external funds, nor a sponsor's requirement that the agreement be made with a 501 (c) (3) entity, nor the term "gift" or "grant" determine how the funds should be administered. The proper administration of funds is generally based upon the terms and conditions of the awarded funds. The following guidelines should be followed in categorizing gifts and sponsored project funds.

Sponsored Projects Criteria

A sponsored project is a legally enforceable agreement formalizing the transfer of money or property from a sponsor in exchange for a specified research, training, instruction, public service, or construction project. The sponsoring organization, whether public or private, typically receives a direct benefit from its funding. The term "sponsored project" can encompass "grant," "contract," "cooperative agreement," "subcontract," or "purchase order." Funding for sponsored projects may be received from individuals, corporations, foundations, and/or governmental entities (federal, state, local or tribal government).

Because of the regulatory and administrative requirements, funding from government agencies, including federal, state, or local governmental bodies and tribal entities, is always administered as sponsored project funding. Funding from voluntary health organizations such as the American Heart Association or the American Cancer Society is usually treated as sponsored project funding because of the intellectual property requirements for unlimited access to and distribution of project findings.

In remaining cases, where funding is being provided by corporations, foundations or others not specified above, the distinction between gifts and sponsored projects is made based on the proposal, the statement of work, and the terms and conditions of the agreement, taking into consideration the intent of the donor/sponsor. *If the award*

documents for a “gift” contain conditions that would otherwise result in the project being classified as a sponsored project (such as specific deliverables, ownership of data, etc.), then either the terms of the agreement will have to be adjusted in order to preserve the gift designation or the agreement will have to be managed as a sponsored project.

Projects will be considered sponsored projects if any of the following criteria are met:

1. A formal or informal proposal (including letter proposals) has been submitted to a sponsor binding the University to a specific scope or area of work, and including institutional endorsement for one of the following purposes: to assure the sponsor that the University will comply with sponsor award requirements; to offer or guarantee adherence to University obligations associated with the proposed activity, e.g., a budget, specific period of performance, cost-sharing or matching requirements, specific commitments of personnel effort, agreement to terms under which funding will be accepted, etc.
2. The award document stipulates a specific time period for conducting the project or the terms under which an award may be terminated in advance of all funds being expended.
3. The award document specifies fiduciary requirements such as adherence to a line item budget, delineation of costs into direct and indirect cost categories (also termed Facilities and Administrative, or F&A costs), audit of the project by the sponsor or a third party, payment contingent upon satisfactory programmatic progress, and return of unexpended funds at the conclusion of the project or guidelines regarding the transfer of funds from one period of time to another.
4. The award document specifies deliverables such as technical, financial, invention, or procurement reports, milestones, or timetables.
5. The award document provides for the disposition of property (tangible or intangible), including equipment, records, technical reports, theses and dissertations, data, copyrights, and/or inventions.
6. The project includes activities for which regulatory approvals (human subjects, animal care, radiation safety, etc.) are required.

Sponsored projects are assessed indirect costs at the University’s federally approved rate applicable to the type of project being conducted. If the sponsor has a written policy, uniformly applied, prohibiting or restricting F&A recovery to a lower rate, the University usually will accept the sponsor’s policy. This exception does not apply to for-profit sponsors, who are expected to provide full F&A when funding sponsored projects. The Vice President for Research is the final authority responsible for determining the acceptance of the F&A rate in all cases.

Gift Criteria

A gift may be defined as any item of value given to the University, whether solicited directly or not, for which the donor does not retain any future interest and does not expect to receive any material, unique, or preferential benefit other than recognition and disposition of the gift in accordance with the donor's wishes. Gifts include all restricted and unrestricted contributions or donations made to the University by individuals, corporations or other non-governmental entities when the use of the funds is not intended to result in specific research, service, or product principally for the benefit of the sponsor. The terms *gift*, *donation*, and *contribution* are synonymous.

Private sector entities (individuals, private foundations, corporate foundations, and corporations) may be acting as donors or project sponsors depending on the award instrument (i.e., agreement or contract). In general, the following characteristics describe a gift:

1. A gift is a voluntary and typically irrevocable transfer of money, services, or property (e.g., equipment, use of equipment, land, etc.) to the University. While the gift may be intended for use within a certain time frame, there is no specified "period of performance" or "start/stop" date after which funds must be returned.
2. No contractual requirements are imposed and there are no "deliverables" to the donor. However, the gift may be accompanied by a fund agreement (written or oral) that outlines its intended use (for example, to support a department, a scholarship, an individual faculty member's laboratory, or a construction project).
3. The gift includes a responsibility for stewardship reporting but there is no formal accountability to the donor beyond periodic progress reports and summary reports of expenditures. These types of reports may be thought of as requirements of good stewardship, and, as such, are not characterized as contractual obligations or "deliverables."

Effective February 6, 2009, a new fee schedule was implemented by the NAU Foundation that stipulates a sliding scale reinvestment fee for all new restricted and unrestricted gifts (that is, all non-endowed funds) received by the NAU Foundation. The fee is assessed at the time the gift is received. The fee may not be waived except by the Foundation Board of Directors. If a project director/principal investigator wishes the Foundation to accept a gift from a donor who refuses to pay a fee, the unit receiving the gift must reimburse the Foundation for the fee. Prior to submission of any proposal, the project director/principal investigator should review sponsor policies regarding fee assessment or indirect costs and make arrangements with his/her unit chair/director regarding payment of the reinvestment fee, if necessary.

University-Sponsored Revenue Producing Activities

University-sponsored revenue producing activities include funds received from fees for services or for use of university facilities, revenues from ticket sales, registration fees, and similar activities, or from grants, contracts or business arrangements. All such funds must be deposited directly with the University into appropriate types of university accounts (auxiliary enterprises, designated, and restricted). Such funds cannot be deposited to the Foundation.

Determination and Resolution Process

Determination of whether a particular project or activity will be administered by the NAU Foundation or the University typically occurs at the proposal stage during review of sponsor requirements and prospective award terms and conditions. Sometimes, however, the determination cannot be made until the award is received and accompanying documentation is studied for conformity with the guidance provided in this document. In some circumstances the proper classification cannot be readily determined by the guidance provided in this document. These situations are resolved mutually by the Office of University Advancement and the Office of Grant and Contract Services. The following procedures have been established for managing the submission, acceptance, and administration of gifts and sponsored projects to private entities/foundations:

1. **Gift proposals** are always submitted through the Foundation; similarly, if a proposal submitted by OGCS is determined to be a gift upon receipt of an award, the funds will be deposited to the Foundation.
2. If it is determined that the awarded funds are a gift, but that the sponsor's reporting and/or spending requirements are such that the project can be administered most effectively by the University on behalf of the Foundation, the funds will be deposited with the NAU Foundation and then transferred to the restricted sponsored project account established for the project. In this case, the University and the Foundation will work closely together to assure compliance with sponsor and university requirements, and the NAUF will submit all required reports including the financial reports prepared by Sponsored Project Services. The reinvestment fee will not be charged by NAUF and any allowable F&A will be distributed by the University in accordance with the policy on *Usage of Recovered Indirect (Facilities and Administrative) Costs*.
3. NAUF will charge the reinvestment fee for gifts that are, for reasons of convenience (e.g., salary payments, travel, etc.), managed by the University in a restricted account (OGCS/SPS). The remaining F&A will be distributed by the University in accordance with the policy on *Usage of Recovered Indirect (Facilities and Administrative) Costs*.
4. **Sponsored project proposals** are always submitted through the university unless the sponsor restricts the opportunity to 501(c)(3) entities. In these cases, the proposal review will follow normal procedures including submission of the completed proposal and PAF to OGCS for review prior to submission by NAUF on behalf of the University. After the award is received and accepted by the

NAUF, the funds will be transferred to the University and a sponsored project account will be established for the project. The reinvestment fee will not be charged by NAUF and any allowable F&A will be distributed by the University in accordance with the policy on *Usage of Recovered Indirect (Facilities and Administrative) Costs*.

5. If a sponsor does not require 501(c)(3) status for a sponsored project proposal, the proposal should be submitted through OGCS, not the NAUF.
6. Regardless of whether the project is determined to be a gift or a sponsored project, request the full indirect costs (F&A or administrative costs) allowed by the sponsor. For gifts managed by the NAUF, the remaining indirect costs are available to the project to cover its administrative costs; for sponsored project awards, the F&A will be distributed by the University in accordance with the policy on *Usage of Recovered Indirect (Facilities and Administrative) Costs*.

Worksheet for Deciding Gift vs. Sponsored Project

A **sponsored project** is an exchange agreement – a transfer of money or property from a sponsor in exchange for specified services (e.g., research and development), sometimes including proprietary rights to and products derived from the services, and including financial and/or technical reporting by the recipient as to the actual use of the money or results. The agreement is enforceable by law, and performance is usually to be accomplished within a specified time frame, with payment being subject to revocation for cause. A **gift or donation** is a voluntary and irrevocable transfer of money, services or property (e.g., equipment, personnel time and skill, etc.) from a donor without any expectation of or receipt of direct economic benefit or provision of goods or services from the recipient.

Private sector entities (private agencies, professional associations, private foundations, corporate foundations, and corporations) may act as either donors or sponsors depending on the award instrument. In determining whether a project is a gift or a sponsored project, important considerations include the type of sponsor, intent of the sponsor/donor, the type of proposal submitted, and the scope of work. The following indicators have been developed to help direct specific awards to the proper university office.

Sponsored Project

- Award is from a governmental entity (federal, state, tribal, local, etc.).
- Sponsor expects to receive a direct benefit (e.g., studies are conducted on substances/products/processes, etc., owned by the sponsor). The award may come from the sponsor's R&D budget, if a corporation, and is perceived by the company as a "cost of doing business" rather than a gift.
- University is contractually bound to a specific scope of work that is to be accomplished within a specific time and budget.
- Award provides for disposition of property, including intellectual property and/or publications; requires itemized budgets and/or detailed financial reporting.
- NAU regulatory approval(s) (human subjects, use of animals, e.g.) are required to conduct the study.
- Award includes requirements for insurance, indemnification, termination.

Gift

- Voluntary and irrevocable transfer of money, services, or property to University.
- The conditions or stipulations placed on the use of the award are reasonable and serve to direct the funds to areas such as scholarships, infrastructure, or general research support of interest to the donor.
- Reports are provided as part of sponsor stewardship, not as a contractual requirement. These reports may include basic financial reporting.
- The donor makes the gift to the University without expectation of direct benefit commensurate with the value of the gift. Indirect benefits such as tax advantages, business or personal goodwill derived from a close association with the university, etc. are not sufficient to negate gift intent.