

DISTINGUISHING GIFTS FROM SPONSORED PROJECTS

Effective Date: Formalized January 1, 2008, updated February 25, 2021

Executive Summary

The University receives various forms of support in the execution of its mission from outside private entities. This support is generally categorized as either a gift or a sponsored project (grants and contracts). The purpose of this policy is to provide guidance on determining the proper classification between these categories. This determination can generally be made based on a number of attributes that are specific to each of these sources of funds. However, at times, the appropriate determination may require a review from central offices, led by Finance and/or General Counsel.

Reason(s) for the Policy

To assist faculty, staff and others in distinguishing between gifts and sponsored projects.

Primary Guidance to Which This Policy Responds

IRS Regulations regarding Charitable Contributions (Publication 526)

Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made

ASU 2016-10 Revenue from Contracts with Customers

Responsible University Office

Sponsored Projects Administration

Office of Alumni and Development

Controller's Office

Revision History

Revised DATE, 2021

Who is Governed by This Policy

All University employees charged with the administration of gifts and sponsored projects.

Who Should Know This Policy

All persons governed by this Policy (see above)

Exclusions & Special Situations

None

OVERVIEW

At Columbia University (the “University”), the Office of Alumni and Development (“OAD”) processes and administers gifts and Sponsored Projects Administration (“SPA”) processes and administers grants and contracts from outside funders. In order to comply with IRS regulations and GAAP accounting standards, and to ensure the proper oversight and administration of this funding, please follow the guidance below to differentiate gifts from sponsored projects, along with the charts in Appendix A, B, and C.

Gifts are voluntary contributions made to the University without the donor requiring anything of value in return. While a donor may restrict or designate the use of a gift in support of a particular activity, the University must retain financial and administrative control over the gift. Sharing information or seeking donor input are common forms of donor stewardship and engagement, but never to the extent that the donor retains control of the gift, such as directing appointments, research or activities, or is involved in carrying out the purposes of the gift.

Sponsored Projects (Grants and Contracts) bind the University to a specific line of scholarly or scientific inquiry, which usually requires a statement of work, grant application or proposal and/or requirements that may indicate a level of continuing sponsor control or reciprocal value. This includes research, instruction and training, public service, fellowships, and other scholarly and creative activities conducted under the direction of University faculty and staff, and funded by an outside source in accordance with award instruments. The sponsor may receive goods, services or other value in exchange for providing funding, or retains control and involvement in the direction, oversight or administration of the grant.

Please note, whether an agreement allows indirect costs or administrative fees, and the amount or percentage allowable, is not a consideration in the determination of whether a gift or a sponsored project.

GIFTS

Gifts are processed through OAD, which issues tax receipts to donors. Donors may not receive value in return for their gift or retain control over their gift. The use of the funding in gift agreements is defined in general and broad terms. Language providing additional flexibility in the use of the funds, both now and in the future, is extremely helpful, when possible. Gift instruments may provide the following at a high level:

- Short proposals and/or discussion of goals and aims or the project or research.
- General budgets or descriptions of expenses.
- Stewardship and engagement, including progress and final reporting, both narrative and financial.

Gifts, typically in the form of a pledge, may at times have events or conditions that must be met (i.e. construction completion, matching requirements, hiring an incumbent to fill a professorship) before being entitled to the gift.

SPONSORED PROJECTS

Grants and contracts for sponsored projects are processed through SPA, or in certain cases, the Clinical Trials Office (“CTO”, related to industry sponsored clinical trials and research) or Columbia Technology Ventures (“CTV”, related to technology transfer and licensing). OAD may also, at times in partnership with SPA, be involved with the solicitation, negotiation and donor relations of sponsored projects, most often when related to giving from a Foundation. Sponsored projects are given to the University to accomplish specific detailed objectives within a specific time frame.

Usually, grants are philanthropic in nature and sponsors do not receive any value in return for their funding. They do, however, retain sufficient control over their contribution. The University must meet various requirements to be entitled to these contributions; the sponsor typically retains the right of return of the funds or the release from obligation to provide further funding. These requirements, or barriers to entitlement of the funding, found in sponsored project agreements include:

- Detailed research milestones, outcomes, outputs, or specified levels of service.
- Limits on discretion in how the work is carried out including:
 - Following the sponsor’s work plan or protocols or requiring review of research.
 - Adhering to the sponsor’s expense policies and guidelines.
 - Being paid on a cost reimbursement basis.
 - Requiring the hiring of a specific individual or the work to be conducted or overseen by a particular individual.
- Other required deliverables or reports related to the purpose of the funding, including technical reports, data, and analysis. This would not include administrative reporting requirements to allow the funder to assess compliance with the terms of the agreement.

While considered sponsored projects, grants are also included in Development reporting/fundraising totals since no value is exchanged.

While a sponsored project agreement will likely include most of the following, the existence of only these items may not necessarily create a barrier to entitlement of funding, if they are primarily administrative requirements that only enable the funder to confirm we are complying with the agreement such as:

- Detailed progress or financial reports or meetings
- Payment due depending on receipt of reports or meetings
- Line item budgets and approval for budget changes
- Timeframes for work to be completed or approval of an extension to complete
- Notification and/or approval of change in Principal Investigator (PI)
- Audit requirements
- Advisory committees

However, agreements containing these requirements may also indicate a level of sponsor control, and so will be processed as a sponsored project in order to ensure the proper oversight and reporting.

Contracts are not philanthropic in nature as sponsors may receive goods, services or other value in exchange for providing funding. Contracts are not included in any Development/fundraising reporting. The sponsor may be largely responsible for defining specifics and closely monitoring the services and would likely retain another organization to provide the services if the University was not engaged to do so. The sponsor may promote the program and materials may give the impression it is their program,

separate from the University. These contracts may include arrangements in which the sponsor has conceived of the idea for a program and is funding the University to host or operate. Sponsors may also receive other commensurate value in exchange for funding. This includes granting the sponsor proprietary rights or other privileges, such as patents/licenses (or options to intellectual property (IP) rights), copyrights, or advance and exclusive knowledge and/or use of research outcomes, data and results of work. Sometimes this may be intangible, uncertain, or difficult to measure, as research may not always result in proprietary discoveries, but this is still considered an exchange of value.

REVIEW PROCESS

Departments should contact SPA or OAD when assistance is necessary to determine whether a particular agreement may be processed as a gift or sponsored project. SPA and OAD will review in conjunction with this policy to assign the appropriate classification. As the classification must be in accordance with accounting and legal standards, if unclear, SPA or OAD will work with the Controller's Office (and CUIMC Controller's Office for CUIMC agreements) and the Office of General Counsel for final review and determination.

Funding agreements/arrangements can often be complex. At times, the contribution is intended as philanthropic but the agreement may include language that prohibits the agreement from being classified as a gift. In other cases, the funder may want to both make a gift and support a sponsored project in the same agreement. Please consult with OAD's Senior Executive Director of Gift Strategy to determine the best path forward in drafting these agreements.

APPENDIX A

Can my agreement be a gift?

The determination of an agreement as a gift or a sponsored project will depend on the interpretation of the agreement as a whole.

While not an all-inclusive list, the following requirements are never allowable in a gift agreement.

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|  | <p>In a gift agreement, the sponsor/donor cannot:</p> <ul style="list-style-type: none">• Direct or review appointments, hires, research or other activities.• Direct research towards particular results or point of view.• Be involved in carrying out the purposes of the gift.• Receive goods, services, or other deliverables related to the purpose of the funding, including technical reports, data, and analysis.• Receive proprietary rights or other privileges, such as patents/licenses (or options to IP rights), copyrights, or advance and exclusive knowledge, publishing and/or use of research outcomes and results of work. Sometimes this may be intangible, uncertain, or difficult to measure, as research may not always result in proprietary discoveries, but this is still considered an exchange of value.• Require funding to be directed only to the activity of specific individuals or approve a change of PI/faculty.• Require payments for work on a cost reimbursement basis or achievement of specified milestones, outcomes, outputs or levels of service.• Select, lead or have equal representation on an advisory committee. |
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The following administrative requirements are generally permissible in a gift agreement:

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|  | <p>A gift agreement may include:</p> <ul style="list-style-type: none">• Detailed progress or financial reports or meetings.• Payment due depending on receipt of reports or meetings.• Line item budgets and approval for budget changes.• Timeframes for work to be completed or approval of an extension to complete.• Reference to a faculty member in recognition of their work, support to an area of activity conducted by named faculty members, or notification of a change in faculty, as long it is clear that the gift is to the University and is subject to our administrative and financial oversight and control and in accordance with the Gift Policy Manual (“Impermissible Private Benefit”).• Audit requirements.• Advisory committee where Columbia selects and has the majority of members.• A right to return funds and/or a release from obligation to provide funding (as long as there are no other controls creating a barrier to entitlement of the gift). |
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APPENDIX B

The following are common factors to be considered when distinguishing if a contribution should be classified as a gift or sponsored project. Please note that the terms used in correspondence with a funder (“gift” or “grant”) may vary from the University’s classification and does not generally pose a concern.

This chart presents the distinction between grants and contracts, as this difference may be important for central departments such as OAD, SPA and the Controller’s Office. The distinction is typically not relevant for academic/administrative departments as these are both sponsored projects administered by SPA.

| | GIFTS | SPONSORED PROJECTS | |
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| | | Grants | Contracts |
| Purpose of funding | Broad purposes to support the University’s mission, including support of our schools, departments, centers, research, and financial aid. Donors may also restrict the use of a gift to the support of a particular activity, but the University must retain control over the gift. | Support specific or narrowly defined projects or activities, typically proposed by the Principal Investigator (PI). The PI controls the direction of the inquiry process. The sponsor provides assistance to the PI to undertake the proposed scope of work. | Support specific or narrowly defined projects, typically proposed by the sponsor. The sponsor issues a detailed Requests for Proposals-RFAs, that require that the PI undertake a specific course of action and provide data, analysis, devices or other specified deliverables within a set time frame. |

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| <p>Donor control and University discretion</p> | <p>IRS regulations and University policy prohibit donor control over the application and administration of a gift. Donors may not direct appointments, research or other activities; direct research towards particular results or point of view; or be involved in carrying out the purposes of the gift.</p> <p>At times, donors may establish conditions to be met or an event to occur before their gift will be made, such as construction completion, matching requirements, or the hiring of an incumbent to fill a professorship.</p> | <p>The PI controls the direction of the inquiry process. Sponsor retains varying levels of control or limits discretion in how the work is carried out. This may include following the sponsor's work plan and protocols; requiring review of research; or adhering to detailed spending, reporting and monitoring requirements.</p> | <p>The sponsor has a tight control over the scope of work and utilization of funds.</p> |
| <p>Provision of goods or services</p> | <p>No goods or services may be provided. The IRS makes exception for low-cost gifts given to donors (i.e. mugs, tote bag).</p> | <p>The sponsor may not receive goods or services in exchange for providing funding.</p> | <p>The sponsor may receive goods or services in exchange for providing funding.</p> |
| <p>Provision for proprietary rights or privileges</p> | <p>No proprietary rights or privileges may be provided.</p> <p>Publicity of the gift and rights to non-exclusive, royalty free licenses to publish or make information available for open access are acceptable.</p> | <p>No proprietary rights or privileges may be provided.</p> <p>Publicity of the gift and rights to non-exclusive, royalty free licenses to publish or make information available for open access are acceptable.</p> | <p>The sponsor may be granted proprietary rights or other privileges, such as exclusive patents/licenses (or options to IP rights), copyrights, or advance and exclusive knowledge, publishing and/or use of research outcomes and results of work. Sometimes these rights may be intangible, uncertain, or difficult to measure, as research may not always result in proprietary discoveries, but this is still considered an exchange of value.</p> |

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| Proposals | Proposals are not required, but may be submitted as part of the ask. If provided, proposals should remain at a high-level, and avoid extensive detail and description of milestones, output and outcomes giving the impression the donor is requiring that work. | Detailed proposals, grant applications and scopes of work are required. |
| Required outcomes and results | Agreements or proposal may discuss goals and aims or the project or research. The University should largely be responsible for defining the parameters. | Agreements or detailed proposals may list required milestones, outcomes, outputs, or specified levels of service. The sponsor may be responsible for defining the parameters. |
| Budgets | Budgets are not typically required. If included, provide a high-level, general budget or description of expenses to be funded. | Budgets are required, typically detailing individuals participating on the project and line item expenses. Often requires approval for budget changes between line items. |
| Spending policies | Spending is in accordance with donor intent and in accordance with the University's policies on financial oversight and expenditure control. | Sponsor may require adherence to expense policies and guidelines or pay the University either upon timely completion of activities within the timeline detailed or on a cost reimbursement basis once work is completed. |
| Timeframe | Not typically required to be used within a specific period of time. | A time period is specified during which activities are to be conducted and completed. Sponsor approval is typically needed for an extension of time. |

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| Reporting | Reporting is typically a voluntary but vital stewardship activity. Agreements may require narrative and financial reporting or meetings, and payment due or made depending on completion. | Reporting is required and sponsors typically request detailed progress or financial reports or meetings, and payment due or made depending on completion. Sponsors may ask for other deliverables related to the purpose of the funding, including technical reports, data, and analysis. |
| Designation for a specific faculty member and notification of a change | Gifts referring to a specific faculty member in recognition of their work or support to an area of activity conducted by named faculty members may be permitted, as long it is clear that the gift is to the University and is subject to our administrative and financial oversight and control, including faculty changes. Language in the agreement is important so please consult the Gift Policy Manual (“Impermissible Private Benefit”) for further detail. | Sponsors typically award to a specific project conducted by specific faculty members. Funding may relate to requirements to hire a specific individual or direct the funding to the activity of a single individual. Sponsors may require notification and/or approval of a change in PI or could potentially discontinue funding if the PI is no longer conducting that research or overseeing the work or transfer to another organization. |
| Advisory committees | Advisory committees are rare but may be allowable if the University, and not the donor, appoints the majority of the members. | Sponsor may lead or have equal representation on an advisory committee. |
| Audit requirements | Donors may be permitted to audit spending or review records. | Sponsors may have audit or review requirements, sometimes extensive. |

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| Right of return of funds and/or unexpended funds | This is typically not present, as the right to the funds is vested in the University. A right to return funds (or a release from obligation to provide funding) for non-compliance could be present in a gift agreement, as long as there are no other barriers to entitlement of the funding. | A right to return funds/unexpended funds or release from obligation to provide funding is specified. |
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Note: Whether indirect cost or administrative fee rates are allowable are not a factor in determining whether an agreement is considered a gift or sponsored project. These costs may be charged unless prohibited by the agreement. The indirect cost rate that may be charged to a private grant (PG project) will be dependent on the sponsor's guidelines. The administrative fee charged to gifts and/or endowment payout (GT or EN projects) is at the rate chosen by each School, not to exceed the Trustee approved amount of 10% of expenses incurred. For more information see the [Columbia Research website](#) or the [Endowment and Gift Compliance website](#)

Appendix C

Accounting Decision Tree

