

Frequently Asked Questions

Policy on Distinguishing Gifts vs. Sponsored Awards in External Funding Received by Auburn University

1. Q: Is the nomenclature in an award document the final determinant of how the funds are processed at the University?

A: No, while the sponsor's or donor's labeling of funding to the University as a gift or sponsored award may show some indication of the sponsor's intent in providing the funds, the way that a sponsor or donor labels a financial contribution does not determine the University's classification of whether external funds transferred to the University should be a gift or a sponsored award. The terms and conditions that accompany external funds must be closely reviewed to determine whether there are restrictions over the use of the funds, including but not limited to specific faculty members, specific scopes of work, the obligation to produce specific deliverables, or specific reporting by budget line item. If a faculty member or administrator is unclear about the designation of an award, s/he should contact their college-level designee or OSP, either of which will consult with one another, as well as other University offices, as appropriate.

2. Q: How can it be a gift if reporting is required?

A: Reporting is an important aspect of all award types. Donors are entitled to know that their donation was spent for the intended purpose. The more detailed the reporting is, both in terms of specificity and frequency, the more likely the award is not a gift and is instead a sponsored award. However, it is important to remember that reporting requirements alone are not determinative of the classification of external funds as a gift or sponsored award.

3. Q: Does the inclusion (or exclusion) of overhead factor into determining whether these funds represent a gift or a sponsored award?

A: No, the classification of funds as gifts or sponsored awards is dependent on the terms and conditions accompanying the funding. The amount of overhead does not have any bearing on this classification.

4. Q: How can a sponsor of research be thought to receive a benefit from a sponsored award it provides? What is a "benefit received" by the funder?

A: In most cases a gift, although related to the philanthropic interests of a donor (for example, an interest in an area of scientific research or of humanities education), does not directly benefit the donor, except insofar as it promotes the donor's philanthropic interests. There is, in general, a less restrictive relationship between a donor and Auburn's use of a gift, than between a sponsor and Auburn's discharge of its duties under a sponsored award. A sponsor's interest is fundamentally tied to the purpose and goals of a sponsored award, and a sponsored award is typically intended to lead to the creation of new knowledge. A gift to a scientific department to promote studies or education in that area would be consistent with the donor's philanthropic interest in that topic, but the donor typically allows the department, the investigator or lab to whom or to which the gift is directed to determine the best specific uses of the funds. A sponsor expects that the investigator will execute the proposed research plan as proposed, or seek approval to vary from the proposed plan. In general, therefore, a donor of a gift expects less control over the use of the gift funds than a sponsor expects

over the use of a sponsored award. The gift donor most often trusts the recipient to use the gift for its own purposes, while a sponsor expects the recipient of a sponsored award to use the sponsored award as proposed. In executing a research plan as proposed under a sponsored award, the investigator, his or her department and school, and the University, presumably are yielding a direct benefit to the research agenda of the sponsor.

5. Q: What if the terms of external funding require a mechanism by which a funder would be asked periodically to approve specific program or research activities and/or specific uses of portions of funds. Would these terms render this funding a gift or a sponsored award?

A: This funding would likely be considered as a sponsored award, because of the lingering control of the funder over specific activities for which the funds would be used and/or the budgets for those activities. If at the outset of the funding there are no specific plans, this factor does not render such funding a gift if the funder retains future control that approximates that of a sponsor.

6. Q: What is meant by "significant value to donors" with regard to gifts?

A: In some cases, significant value associated with a gift requires consideration of many factors, including but not limited to, the mission of and potential benefit received by the funder, the value exchanged; the scope of work; whether there are any defined activities and, and if so, their nature and the specificity with which they are defined; the terms of accountability for use of funds and deliverables; and – in case of failure to complete the defined activities – the ability of the funder to recoup the funds provided or to obtain a refund (or receive a reversion) of unused funds.

7. Q: How are deliverables defined?

A: A deliverable is a tangible or intangible good or service produced as a result of a sponsored project. Examples of deliverables may include, but are not limited to, technical reports, financial reports, software, prototypes, etc.

Gifts typically carry no reciprocal obligations between donor and recipient, and are often unrelated (or only indirectly related) to the business interests or mission of the donor. It is not unusual for a donor to expect a report on the general uses of funds donated.