

## **Guidance on the classification of funds from external sources at The University of North Carolina at Chapel Hill; gift or sponsored project.**

Sponsored projects and gift-funded activities are externally-supported, with funds provided typically in response to a request or a proposal. The classification of funding as a “gift” or a “sponsored project” will affect, among other things: whether the funds will be administered by the Office of Sponsored Research (OSR) or Corporate and Foundation Relations and in turn how the University accounts for the funds, calculates and applies F&A (indirect) costs and reports on the use of the funds.

Any funding provided by a government agency at the federal, state or local level<sup>1</sup> is treated as a sponsored project and is administered by OSR. Funding from voluntary health organizations or associations, such as the American Cancer Society or the American Heart Association, is also usually treated as a sponsored project because of the terms and conditions typically conveyed in the notice of award.

In other cases, the determination of whether it is a gift or a sponsored project is based upon the proposal, budget if any, statement of work, and terms and conditions of the agreement (as indicators of the intent of the sponsor/donor).

There may be situations in which the sponsor’s or donor’s intent has been communicated in advance and when the “award” is received it does not convey what is believed to have been previously communicated<sup>2</sup>. This is typically the case when the award is issued using an unmodified boilerplate agreement and in these cases, consultation with the sponsor or donor will be necessary to document their original intent and ensure correct classification of the funding.

### **GIFT**

A gift is something of value that is given to the University by a donor who expects nothing of significant value in return, other than recognition of the gift and its disposition in accordance with the donor’s wishes. A written agreement may or may not be entered into by the University and by the donor.

When the gift is in the form of funding, it can be ‘unrestricted’, meaning the funds may be used freely; or ‘restricted’, limiting the use of funds to work in a specific field or for a specified purpose. When a gift is accompanied by an agreement, the agreement must be reviewed by the Office of University Counsel and signed by the Vice Chancellor for Development or the Vice Chancellor for finance and Administration and an authorized signatory of the donor.

---

<sup>1</sup> Such as the North Carolina Department of Health and Human Services which is recognized as an agency of state government.

<sup>2</sup> For example, a faculty member has been in discussion with a sponsor or donor who has indicated they are going to be making a gift in support of that faculty member’s research program but then the document conveying the sponsor or donor’s intent is sent to the University from the sponsor’s or donor’s legal office using the sponsor or donor’s boilerplate or agreement template as opposed to memorializing what was discussed with the faculty member.

In general, a gift has the following characteristics:

- No contractual requirements are imposed and there are no “deliverables” to provide the donor. However, the gift may be accompanied by an agreement that restricts the use of the funds to a particular field or purpose.
- A gift is irrevocable. While the gift may be intended for use within a certain time frame, there is no specified period of performance or a start and end date for when the gift can be used.
- There is no **formal** fiscal accountability to the donor. There may however be annual or periodic updates requested by the donor and sent by the department, Corporate and Foundation Relations, or the Development Office that may be thought of as sound practices of good gift stewardship, and, as such may be required by the terms of the gift. These informal reports are not considered contractual obligations or deliverables.

### **SPONSORED PROJECT**

A sponsored project has a statement of work to be implemented in exchange for something of value, such as data, results, and/or a report (intellectual property resulting from the work). A written agreement is entered into by the University and the sponsor. Sponsored projects generally use one of two funding structures; grants or contracts (Appendix A). Sponsored projects are reviewed and signed by an authorized official from OSR or, when appropriate, the Sponsored Programs Office with the School of Medicine; and an authorized signatory of the sponsor.

In general, a sponsored project has the following characteristics:

1. Return of unexpended funds to the sponsor.
2. Restrictions on data use and/or research publication rights imposed by the sponsor.
3. The right of the sponsor to audit the project, program, lab or related documentation such as financial data or lab notebooks.
4. Ownership of data or intellectual property resulting from project/ program vesting in whole or in part with the sponsor.
5. Preferential sharing of the project/ program results or resulting research resources, such as a model organism, with the sponsor.
6. A penalty for non-performance.

### **“Gift or Sponsored Project?” Decision Tree**

The answers to the following questions may be of assistance in determining whether an externally funded activity is a gift or sponsored project:

1. Is the funding source a governmental entity (federal, state, local)?

If YES, all requests and agreements must be approved by the Office of Sponsored Research.

If NO, go to question #2.

2. Does the proposal to and/or the agreement have characteristics of a sponsored project as described above?

If YES, then proposal and/or agreement and payment must be processed and approved by the Office of Sponsored Research using the RAMSeS system. However, the UNC Office of Corporate and Foundation Relations can assist in preparing a proposal and working with the funder both before and after the award has been accepted by the University.

If NO, then the proposal and/or agreement (and associated payments) is likely a gift and should be processed through the development office within the applicant's school or unit and the University Development Office.

If UNSURE, first check your department or unit business manager for assistance with determining whether the activity is a gift or sponsored project. If they are uncertain, check with your Dean's Office or the Vice Chancellor's Office. Generally, it is important to include all documentation related to the proposal and solicitation, where appropriate when reaching out for assistance. If needed please email questions to [giftorsponsoredproject@unc.edu](mailto:giftorsponsoredproject@unc.edu), the special help desk at the Office of Sponsored Research. Please include your specific question(s) and any available supporting materials such as the proposal, proposal and award requirements of funder (generally on their website if not provided in a guideline, letter or award document), contact information for point person at the funding organization and, as applicable and if available, the proposed project budget.

Communication Plan for distribution and training:

- Business manager list serve
- Directors, Deans, Department Head (DDD) list serve
- Research Administrators Support Group (RASG) list serve and presentation at bi-annual meeting
- OSR Newsletter
- Post on all research support offices webpages; Vice Chancellor for Research (VCR), Office of Sponsored Research (OSR), Corporate and Foundation Relations (CFR), Office of Research Development (ORD), Office of Technology Development (OTD), and the University Development Office (UDO)
- Include in the Development Officer Training Programs, the Principal Investigator Development Series offered by the Center for Faculty Excellence and the Tar Heel Certificate Program (OSR training program for OSR and campus research staff)
- Chancellor's list serve

**NOTE:** The task force additionally recommends changing the name of the Office of Sponsored Research to the Office of Sponsored Projects to be in keeping with this guidance document and make determining the office to engage more intuitive.

### **Grant**

*A grant is defined as an award or assistance mechanism to transfer money, goods, property, services or other items of financial or economic value in order to accomplish a public purpose. In general, the following characteristics describe a grant:*

- *No substantial involvement is anticipated between the awarding sponsor and the University PI during the performance period of the grant.*
- *The award comes with terms and conditions that must be met.*
- *Principal purpose is to generate information in an effort to benefit the public at large.*
- *There are budgetary restrictions.*
- *Financial and technical or progress reports may be required under the terms and conditions of the award.*
- *Expenditures must be documented.*
- *Deliverables may be required, including the sharing of research resources and results.*
- *There is a defined start and end date identifying when the funds can be expended.*

### **Contract**

*A contract is defined as a binding agreement between two parties for the purpose of securing goods or services. In general, the following characteristics describe a contract:*

- *There is extensive involvement from the sponsor in the tasks to be performed. The sponsor may define them or the sponsor may participate and direct changes in the direction of the work.*
- *The contract is a cost reimbursement, fixed price, or task order contract.*
- *Principal purpose is to acquire services for the sponsor's direct benefit or use.*
- *The sponsor may consider the award to be a purchase (procurement).*
- *The sponsor requires formal financial or technical reports.*
- *Invoicing or billing is required by the terms and conditions of the award.*
- *There is a defined start and end date identifying when the funds can be utilized.*
- *A contract may include terms and conditions that must be negotiated to insure consistency with University policies and procedures. Terms that typically may need to be discussed include (but are not limited to);*
  - *Ownership of intellectual property (IP), including discoveries or inventions created during the period of performance for the contract.*
  - *Right of first refusal, or right of first negotiation for the licensing of IP.*
  - *Ownership or access to the data and/or research results.*
  - *Advanced review of any publications resulting from the research.*
  - *Deliverables such as technical reports, or milestones such as enrollment goals on which payment(s) are based.*