Is it a gift or a grant?

OSR Monthly Meeting
Thursday, June 18, 2015

Maureen Mizwicki, FSM Development
Mike Daniels, Accounting Services for Research and Sponsored Programs
David Lynch, Office of Sponsored Research
Objectives

Why it’s important to differentiate

Characteristics of gifts

Characteristics of grants/contracts

Navigating both processes
Why Differentiate?

Internal Revenue Code § 170(c)(2)(B) and (D); IRS Pub. 526 (2010)

Treatment of external funding is driven by NU policy
• http://policies.northwestern.edu/index.html

Standards for Business Conduct
• http://policies.northwestern.edu/standards/

Criteria for Defining Sponsored Projects Versus Gifts
• http://www.research.northwestern.edu/osr/criteria_print.html
Key Players

Prospects, donors, and sponsors

Faculty, chairs, deans and academic personnel

Research Administrators (within dept/div/ctr)

Gift Officers (FSM)

Grants Officers (OSR)
Video

https://www.youtube.com/watch?v=wWuAp1GooxA

National Council of University Research Administrators
Gifts

Funding support given without restriction
• Few or no conditions specified
• No contractual requirements
• No deliverables other than a stewardship report

In other words, no strings attached
Grants and Contracts

Grant: Financial assistance to an eligible entity to carry out a project or activity. A grant is used to pay for the performance of a project or activity.

Contract: An award instrument used to acquire property or services for the direct benefit or use by the sponsor.
Grant Administration Life Cycle

1. Pre-award Administration
   - Negotiation, award acceptance and account creation

2. Post-award Administration
   - Scientific and financial project management

3. Proposal and budget development
   - Proposal review, approval, and submission

4. Progress reporting, award close-out
   - Return to pre-award administration

This cycle represents the continuous process of grant administration from proposal development to final reporting and close-out.
# Gifts vs Grants

<table>
<thead>
<tr>
<th>Gifts</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>No strings attached</td>
<td>Strings attached</td>
</tr>
<tr>
<td>No specified statement of work and/or</td>
<td>Specified statement of work and/or deliverables</td>
</tr>
<tr>
<td>deliverables</td>
<td></td>
</tr>
<tr>
<td>Minimal reporting requirements</td>
<td>Reporting requirements</td>
</tr>
<tr>
<td>Irrevocable</td>
<td>Performance period specified</td>
</tr>
<tr>
<td>Work with Development Office</td>
<td>Work with Office for Sponsored Research</td>
</tr>
<tr>
<td>Subject to University Policy</td>
<td>Subject to University Policy</td>
</tr>
<tr>
<td>Method of Payment: Lump Sum or Pledge</td>
<td>Reimbursement/milestone Payments</td>
</tr>
</tbody>
</table>
Scorecard

• Donor/sponsor
• Gift/grant
• Stewardship reporting/scientific progress technical reporting or deliverables
• Narrative and financial report/invoicing and detailed financial reporting
• Stewardship visit/site visit
Facilities and Administrative Costs

Northwestern applies different Facilities and Administrative (F&A) rates - sometimes called "indirect cost rates" - to sponsored projects, depending on the nature of the individual sponsored projects. Northwestern negotiates its F&A rates with the federal government, specifically the Department of Health and Human Services ("DHHS"), every 3-4 years.
FEDERAL PROJECTS
For periods beyond 08/31/15, the FY 2016 rates should be provisionally used.

<table>
<thead>
<tr>
<th>NATURE OF SPONSORED ACTIVITY</th>
<th>ON/OFF CAMPUS</th>
<th>FY 2013 09/01/12 – 08/31/13</th>
<th>FY 2014 09/01/13 – 08/31/14</th>
<th>FY 2015 09/01/14 – 08/31/15</th>
<th>FY 2016 09/01/15 - 08/31/16 (PROVISIONAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Research</td>
<td>On Campus</td>
<td>54.5%</td>
<td>54.5%</td>
<td>54.5%</td>
<td>54.5%</td>
</tr>
<tr>
<td></td>
<td>Off Campus</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Department of Defense (DoD) Contracts</td>
<td>On Campus</td>
<td>55.5%</td>
<td>55.5%</td>
<td>55.5%</td>
<td>55.5%</td>
</tr>
<tr>
<td></td>
<td>Off Campus</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Sponsored Instruction/Training</td>
<td>On Campus</td>
<td>51.0%</td>
<td>51.0%</td>
<td>51.0%</td>
<td>51.0%</td>
</tr>
<tr>
<td></td>
<td>Off Campus</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Other Sponsored Activity</td>
<td>On Campus</td>
<td>36.0%</td>
<td>36.0%</td>
<td>36.0%</td>
<td>36.0%</td>
</tr>
<tr>
<td></td>
<td>Off Campus</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
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</tr>
</tbody>
</table>
Management and Administrative Fees

• The Management and Administrative Fees for “gifts” were eliminated in May 2015.
Exceptions

There will always be exceptions to the rule

Funding may be intended for a specific purpose but treated as a gift

Documents can appear to be a contractual agreement by definition, but NU may treat it as a grant
Working Together

FSM Development – Maureen Mizwicki

ASRSP – Mike Daniels

OSR – David Lynch
Federal Cost Principles

Cost Principles
- Allowability
- Allocability (no comingling)
- Reasonable
- Consistent

Expense must directly benefit the specific aims of the grant.
Case Study 1

NU receives a check, just a check
Faculty member instructs staff to deposit funds in gift account
Later that year, faculty forwards email from the donor which requests a detailed accounting of how funds were spent.

Is this a gift or grant? Other? Do we need more info?
Case Study 2

Donor wants to support specific research project
Proposal submitted by faculty member
Donor requires written notification of new inventions, development, or discovery resulting from the research
Donor requires narrative and financial reporting
Donor established charitable foundation
Foundation will be the donor
Case Study 3

University receives an agreement
References proposal
Period of performance
References scope of work
Budget/reporting requirements
Future intellectual property rights will be shared
Budget for reading/interpreting x-rays

Is it a gift or a grant?
Answers!

Questions?