

## Research Grants vs. Charitable Contributions

The University and its foundations receive many offers of support from external sources. This support may be in the form of money, property or services and may be applied to various purposes within the University. These transactions usually take the form of either a research grant or a charitable contribution. Research grants are best accepted and administered by the Sponsored Programs Foundation and charitable contributions are best accepted and administered by the Advancement Foundation.

The categorization of a payment as either a research grant or a charitable contribution has significant legal and tax ramifications for both the University and its foundations and as well as the payor. In general, research grant transactions involve an exchange of value between the University and the payor and entail formal obligations on the part of the University to carry out specific actions in exchange for the payment. A charitable contribution provides no direct benefit to the payor and allows the University discretion as to the specific actions to be taken.

The terminology used by the payor is not determinative. Donors, especially foundations, may refer to a payment as a “grant” even though it is a charitable contribution. In addition, a requirement to furnish documentation is not determinative. A requirement to provide formal representations as to the use of funds or a requirement that unused funds be returned to the payor does not automatically mean that the transaction is a research contract.

The following guidelines will help determine whether a payment received from an external source is a research grant or a charitable contribution.

A **research grant** is an agreement to transfer money or property in exchange for specific services, often including rights to and/or products derived from the services. A research grant often requires technical reporting by the University as to the actual use of the money or property transferred. Performance is usually to be accomplished in a specific time frame and financial support may be revoked for cause.

Following are characteristics indicative of a research grant:

- The sponsor is a governmental agency (or is awarding governmental flow-through funds).
- The payment is awarded to match a government-funded project.
- The payment is pursuant to a contract, cooperative agreement or consortium agreement.
- The payment is provided to achieve a specified scope of work or provide a specific product, service or other expected results within a specified period of time.
- The project entails a commitment to regular payment of salaries or wages from the sponsored funds.
- The sponsor stipulates terms and conditions, such as publication restrictions, rights to tangible and intangible assets, compliance with federal and state regulations, allowable and unallowable costs, subcontracting, insurance, indemnification and hold harmless

clauses, protection of proprietary or confidential information, modifications, penalties, remedies, termination etc.

A **charitable contribution** is a voluntary and irrevocable transfer of money or property for use by the University or its foundations in the furtherance of its charitable purposes. No goods or services are provided to the payor as a result of the contribution

Following are characteristics indicative of a charitable contribution:

- The payment is from an individual, a charitable foundation, or corporate contribution program.
- The payor refers to the payment as a gift, donation or contribution and intends the contribution to be a charitable gift as reflected by the absence of any quid pro quo.
- The payment is from a non-governmental source and is given for such activities as endowments, capital projects, general student financial assistance or other general operations of the University.
- The payment is subject to few conditions other than those specifying intended uses. The conditions or stipulations placed on the use of the contribution serve to direct the support the desired area of interest to the payor.
- The payor makes the contribution to the University or its foundations without expectation of direct economic or other tangible benefit. Indirect benefits such as tax advantages, business or personal goodwill, and benefits derived from status as a donor are of an immaterial nature and not sufficient to negate the charitable intent.

The following may be *true of either a research grant or a charitable contribution* and therefore are not determinative:

- The support is awarded as a result of a grant proposal submitted by the University in response to a request for proposal, published guidelines or through a competitive application process.
- The activities required by the award involve the use of University facilities or other University resources.
- The payor places restrictions on the use of funds and/or retains the right to revoke the award. The payor specifies how funds are to be used and requires prior approval for changes from the originally approved budget items and disallowance of certain costs.
- The payor requires external audits, detailed financial reports, invoices and/or technical status reports as a condition of the award.
- The payor requires that any unused funds be returned to the payor.