



What is a sponsored research/project or charitable gift?

Processing private sector support for higher education: corporate, foundation, and nonprofit support

The following are key characteristics to consider when determining whether support from a corporation or foundation should be processed through the Illinois State University Foundation (Foundation), or through the Illinois State University Office of Research and Sponsored Programs (ORSP).

Please refer to the table below and the characteristics that follow to determine whether funds provided by a corporate or foundation sponsor should be processed by the Foundation or ORSP.

AWARD CHARACTERISTIC	SPONSORED PROJECT	GIFT
SOURCE OF FUNDS		
Funding provided by an individual		X
Funding provided by governmental agency	X	
Funding provided by private (for-profit or nonprofit) entity	X	X
TERMS OF USE OF FUNDS		
Funds are irrevocable		X
Funds are unrestricted		X
Funds have a loosely restricted purpose	X	X
Uniform Guidance (Code of Federal Regulations 2 CFR part 200) applicable	X	
Federal Acquisition Regulations (FARs) applicable	X	
Confidentiality of sponsored-provided information	X	
Certifications and formal terms and conditions	X	
Use requires compliance office review (e.g., Institutional Review Board, Institutional Animal Care and Use Committees (IACUCs))	X	
Funder-defined scope of work	X	
No specific period of performance		X
Prior approval required for budget, scope, or date changes	X	
Indirect (facilities and administrative) costs	X	
Actual cost reimbursement	X	
Fixed fee reimbursement	X	
Milestone reimbursement	X	
Unilateral termination allowed	X	

AWARD CHARACTERISTIC	SPONSORED PROJECT	GIFT
OUTCOMES GENERATED FROM USE OF FUNDS		
Funder benefits	X	
Intellectual property owned by funder	X	
Publication restricted	X	
Pre-publication review required	X	
Detailed financial and progress reporting	X	
Minimal high-level financial and impact progress reporting		X
No financial or progress reporting		X
ISU must return unexpended funds	X	

Note that the existence of one characteristic alone is likely not sufficient to make a determination. Moreover, the characteristics of both sponsored research/projects and gifts will oftentimes apply to the same award. For these reasons, multiple factors should be considered in making an assessment of how to proceed. A sound judgment based on the preponderance of applicable characteristics should determine which office manages the funds.

In cases where it is uncertain whether corporate or foundation support should be processed through the Foundation or ORSP, a determination should be made as early in the process as possible through consideration of the aforementioned criteria and will be decided in consultation with staff from the Foundation and from ORSP.

Corporate, foundation, and nonprofit support processed through the ISU Foundation

The ISU Foundation will comply with current IRS standards and guidelines when processing gifts. The following criteria may indicate a gift, although any single criteria in this list may not be dispositive, and all factors must be considered as a whole when making a determination of whether it is a gift or a sponsored project:

1. The contribution is not federal or state money.
2. Voluntary contribution made to qualifying entities having charitable purposes.
3. The contribution may be restricted, for example:
 - a. For endowment, i.e., only a proportion of market value may be spent in perpetuity
 - b. For a specific school, college, or unit
 - c. For a stated purpose, like a construction project, program, professorship, scholarship, etc.
4. The contribution can support research, but the donor must not:
 - a. Derive commercial or private benefits from research
 - b. Have rights to intellectual property that may result
 - c. Have first rights to any research outcomes
5. The agreement documenting the contribution may be binding or nonbinding, depending on the purpose.
6. The contribution, once made, must be irrevocable for all donors except private foundations, which are allowed to include a clawback provision in their agreements under IRS regulations.
7. According to the IRS, the agreement with a private foundation that documents a charitable contribution may use the term **“grant” instead of “gift.”**
8. Periodic progress reports and reports about expenditures are allowable.

Corporate, foundation, and nonprofit support processed through the Office of Research and Sponsored Programs (ORSP)

Transactions that meet the following criteria, individually or collectively, may not be treated as a gift and should be handled as sponsored research/project through ORSP:

1. Funds originate from a federal or state sponsor.
2. The corporation or foundation receives some deliverable or commercial benefit, e.g., rights to intellectual property, pre-publication review, hardware, software, data, etc.
3. Funds are restricted for a detailed purpose that requires adherence to:
 - a. a specific statement of work and commitment to a specified project plan, such as a prescribed research activity;
 - b. a detailed project methodology, e.g., a series of experiments to test a particular hypothesis, or support to perform a particular activity;
 - c. a line-item budget, the tracking of which is key to financial accountability and requires sponsored project management systems to fulfill; and
 - d. a specified period of performance in which project funds will be expended, usually defined with “start” and “end” dates.
4. Awards with budget, confidentiality, intellectual property, or compliance factors (e.g., human subjects and animal research), aspects of which require the sophisticated tracking and review tools built into the research enterprise (e.g., effort allocation, royalties, IRB, etc.).

The following criteria may indicate sponsored research/project, although any single criteria in this list may not be dispositive, and all factors must be considered as a whole when making a determination of whether it is a gift or sponsored research/project:

1. Funds are awarded in response to a formal proposal submission, generally led by a member of faculty as primary or lead investigator.
2. The funding is conditional and/or revocable.
3. Use of funds is governed by written sponsor guidelines or policies.
4. Required reporting includes a schedule of periodic progress reports and formal, institutionally signed financial reports.
5. Award requires protection of confidential information.
6. Prior approval is required for changes to the statement of work, budget, or period of performance.

Processing corporate, foundation, and nonprofit contracts

Support from a corporation or foundation that is not a voluntary donation for religious, charitable, scientific, literary, or educational purposes may actually be a contract. Contracts are defined as “Exchange transactions having potential commercial benefit or profit that does not support a charitable purpose” (e.g., private gain). This category of support is most applicable to corporate research contracts, not to foundation, corporate foundation, or nonprofit grants or gifts. All contracts are processed through ORSP, and are considered Sponsored Research/Projects.

Elements that are irrelevant to decision about management of the award, i.e., may be administered as gift (Foundation) or sponsored research/project (ORSP):

- Document is titled “grant agreement” or “grant contract”;
- Return of unexpended funds (often this is *pro forma* part of grant letters);
- Legal language about lobbying;
- Loose restrictions on purpose of the funding (almost all gifts have a restriction on the purpose or goals of the gift);
- Funder is a family foundation rather than a professional foundation; or
- Transmittal letter does not refer to the proposal *per se*.

Checklist for determining whether funding is a gift or sponsored research/project

To aid in the determination of whether the funding under consideration is a gift or is for sponsored research/project, the checklist below is provided. Documentation that will aid you in the determination includes some or all of the items listed below.

1. Statement of work or project description
2. Proposal or letter of intent, or request for funding, including any budget
3. Award letter
4. All correspondence

Checklist

1. Is the funding provided by federal, state, or local government?

Yes No

If YES, this is Sponsored Research/Project.

2. Is the funding provided by an individual (not an organization)?

Yes No

If YES, this is a Gift.

If neither of the above is true, does the donor/sponsor require:

3. A Statement of Work (a commitment to a specific project plan, as opposed to a general field of study or research area; the commitment describes a specific line of scholarly inquiry such as testing of an hypothesis, experiments, a model project or a defined set of deliverables)?

Yes No

4. A detailed line-item budget for work (i.e., commitment of percentage of effort) and detailed financial reporting beyond a summary report of expenditures (i.e., line item detail, percentages of effort)?

Yes No

5. A return of any unexpended funds at the end of a designated period (i.e., "Start" and "Stop" dates)?

Yes No

6. Terms and conditions transferring tangible property (e.g., equipment, records, technical reports, theses, dissertations, or other deliverables), or intangible property (e.g., intellectual property, rights in data, copyrights) to the donor/sponsor?

Yes No

Choose one option below, and process accordingly.

Sponsored Research/Project: If you answer "Yes" to Question 1, or to any of questions 3-6, the funding should be considered support for sponsored research/project.

Gift: If you answer "Yes" to Question 2, or "No" to all questions 3-6, the funding should be considered a gift.

Uncertain: If you cannot answer any one question with certainty, contact the following contacts to clarify:

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