1.0 Purpose

External support may be awarded under a wide variety of labels, including grants, contracts, subcontracts, purchase orders, funded collaboration agreements, master agreements, clinical trial agreements, consulting agreements, testing agreements, service agreements, task agreements, basic ordering agreements, corporate affiliate partnership programs, and other similar mechanisms.

This GIM describe the policies and standards used by the University for classifying external support as either a sponsored project or a gift. These guidelines also identify the appropriate administrative procedures for accepting and processing external support. Correct classification of external support assures the University’s ability to: (i) comply with requirements specified by the sponsor or donor; (ii) satisfy State of Washington reporting requirements; (iii) properly recover its costs, both direct and indirect; (iv) comply with Government Accounting Standards (GASB) and Financial Accounting Standards Board (FASB), Internal Revenue Service (IRS) and other financial reporting standards, and (v) assure compliance with applicable laws, regulations and University policies. This GIM is to be used to determine the proper classification of external support by all University campuses, colleges, schools, departments, and administrative units.

2.0 Background

The Governmental Accounting Standards Board (GASB) sets generally accepted accounting principles (GAAP) for state and local governments. The Financial Accounting Standards Board (FASB) sets financial accounting standards for nongovernmental entities. The standards for both vary due to the organizational differences between government and nongovernmental entities. As a governmental unit, with a nonprofit Foundation established, the University must determine external funding as a sponsored project or a gift in order to properly spend, track, report, and account for external funding. Likewise, determination of the funding is necessary due to accounting and reporting standards for sponsored project funding, including the Cost Accounting Standards (CAS), OMB Circular A-21, and Circular A-110.

3.0 Persons/Offices Affected

Faculty, Staff, Office of Sponsored Programs (OSP), Advancement Services, Grant and Contract Accounting (GCA), the University Foundation, Internal Audit
4.0 University Policy

I. Classification Determination
Final determination of the classification of external support as a gift or sponsored program is made by the Assistant Vice Provost for Research and Director of the Office of Sponsored Programs in consultation with the Associate Vice President for Advancement Services. Classification of external support is an internal University administrative decision based on information conveyed to the University by the support source and the University operating unit after applying relevant legal and accounting principles.

II. Classification of External Support Characterized as a “Grant”
The term “grant” does not determine the classification of an award as a sponsored project or gift. Some grants may be classified as philanthropic gifts (for example, a donation from a tax-exempt foundation that is operating a charitable giving program). Grants may also be awarded by a government or private organization and may be classified as “exchange transactions” (for example, grants from the National Institutes of Health, the National Science Foundation or a commercial organization). Grants requiring contractual performance commitments from the University may also come from certain charitable foundations, but must be processed through the Office of Sponsored Programs. Even though the donor is philanthropic in nature, the award itself may contain performance contractual terms and conditions requiring its classification as a sponsored project.

III. Classification of External Support as a Sponsored Project
A Sponsored project is any exchange transaction between the University and the sponsor that may occur in a number of forms. A University sponsored project is not a purchase or sale of goods or services or “work for hire” arrangement but instead is a mutual exchange involving the University and a sponsor. Sponsors may provide funding, equipment or other tangible items, such as goods or services, for research, training, education programs, analytical services or other rights or goods.

A project receiving either direct or indirect external support from any federal, state, local, foreign, or other governmental entity shall be classified as a sponsored project.

A project receiving external support from any entity other than a governmental entity shall be considered a sponsored project if the University is subject to any of the following:

A. Delivery of specific goods, services, or other deliverables;
B. Performance milestones;
C. Transfer of intellectual property, ownership, or related rights;
D. Insurance, indemnification, or warranty or any other contractual term or condition that establishes financial or legal responsibilities and/or the acceptance of risk by the University;

E. Restrictions on publication of research results;

F. Withholding or refunding of the support if the project fails to meet performance requirements or project objectives, including certain research outcomes;

G. The support is used for research-related patient care services, including routine cost of care delivered as part of the research project; or

H. Testing or assessment of the sponsor’s products or services or conducting research that is otherwise likely to have a significant effect on the sponsor’s business.

I. The support is from industry for research or clinical trials relating to the donor’s products or immediate business

The Office of Sponsored Programs reviews and processes sponsored projects.

IV. Classification of External Support as a Gift

A gift is the voluntary contribution of external support by a donor to the University, without any requirement for receipt of any economic or other tangible benefit in return beyond what any general member of the public would receive. The contributor of a gift is referred to as the “donor” and the donor’s intent must be philanthropic or charitable. The primary beneficiary of a gift is the general public and not the donor.

Gifts may be either unrestricted or restricted. A restricted gift does not imply that the donor benefits from the gift nor is there an implied quid pro quo. Valid restrictions pertain to the permitted use of gift funds rather than providing a result to the donor. Gifts shall normally meet the following criteria:

A. The external support does not meet the criteria for a sponsored project.

B. The primary beneficiary of the outcome accruing from the funding will be the general public and not specifically benefit the donor.

C. The external support is irrevocable, providing the gift is used in accordance with any valid use restrictions accepted by the University.

D. No goods, services or deliverables are offered to the donor or exchanged in consideration of receipt of the external support, excepting only de minimis benefits as described in IRS regulations.
E. The donor provides the support to the University without expectation of direct economic benefit or other tangible benefit. Indirect benefits such as tax advantages or business or personal goodwill derived from close association with the University and the miscellaneous benefits derived from donor status shall not be deemed to be inconsistent with classification of support as a gift.

F. Detailed financial reporting or accounting for use of external support is not generally required, although it shall be acceptable for the donor to request information from the University about utilization and/or impact of the external support, including expenditures and fund balances.

G. Public recognition by the University of donors through accepted University underwriting guidelines shall not be deemed to be to be inconsistent with classification of support as a gift.

H. Gifts to specific researchers or faculty members may be classified as grants if the expectation exists that, should the researcher or faculty member leave the University of Washington, unspent gift balances will go to their new institution.

The University Advancement Office reviews and processes gifts.

V. **External support and facilities and administrative (F&A) costs**
Inclusion or exemption of F&A costs assessments shall not be a basis for determining whether an award is classified as a sponsored project or gift. Documentation stating the purpose and terms associated with a specific award, the award letter or notification and the proposal are required before any gift or sponsored project may be accepted and expended.

VI. **Exceptions**
Exceptions to these policies and guidelines may be granted by the Assistant Vice Provost for Research and Director of OSP in consultation with the Associate Vice President for Advancement Services.

VII. **Compliance**
All regulatory requirements with respect to the conduct of research and other compliance matters must be followed regardless of whether the support is processed as a sponsored project or a gift, including but not limited to, Institutional Review Board for the Protection of Human Subjects, Institutional Animal Care and Use, Radiation Safety, Biosafety, and Disclosure of Significant Financial Interests.
5.0 Process and Guidance

Gifts used for matching or cost-sharing on sponsored project

Sponsored projects and OSP submission process

Gifts Acceptance process

Advancement compliance review process

Concurrent gifts and sponsored support

Transfer of awards from UW Foundation to OSP

6.0 Responsibilities

A. Principal Investigator (PI)/Faculty:

- Use GIM 34 guidelines to make initial decision on whether external support is sponsored project or gift
- Follow the OSP Submission Process or the Advancement Acceptance Process to review and accept the external support
- Ensure all research and other activity funded by external support is compliant with federal laws, regulations, state law and University policies

B. OSP

- Determine classification of external support, with concurrence of Advancement
- Advise PI/faculty if external support constitutes a gift and should be reviewed and processed by Advancement
- Review sponsored project funding to determine acceptability of terms and conditions and compliance information available prior to accepting the funds on behalf of the University

C. Advancement Services/UW Foundation

- Review external support to determine correct classification, in conjunction with the Executive Director of OSP
- Advise PI/faculty if external support constitutes a sponsored project and transfer funding to OSP for review and processing
- Ensure that financial conflict of interest, IACUC and/or IRB, and any other compliance issues have been addressed.
7.0 Definitions

**External Support**
Anything of economic value provided by a third party (either the “sponsor” in the case of sponsored projects or the “donor” in the case of gifts) for use in a project or other activity within the University conducted by or at the University.

**Financial Accounting Standards Board (FASB):**
Sets financial accounting standards for nongovernmental entities.

**Governmental Accounting Standards Board (GASB):**
Sets generally accepted accounting principles (GAAP) for state and local governments.

**Gift**
The voluntary contribution of external support by a donor to the University, without any requirement for receipt of any economic or other tangible benefit in return beyond what any general member of the public would receive. The contributor of a gift is referred to as the “donor” and the donor’s intent must be philanthropic or charitable. The primary beneficiary of a gift is the general public and not the donor.

**Restricted Gift:**
The gift is restricted by the donor for a particular purpose or for a particular project.

**Sponsored project:**
Any exchange transaction between the University and the sponsor that may occur in a number of forms. A University sponsored project is not a purchase or sale of goods or services or “work for hire” arrangement but instead is a mutual exchange involving the University and a sponsor. Sponsors may provide funding, equipment or other tangible items, such as goods or services, for research, training, education programs, analytical services or other rights or goods.

**Unrestricted Gift**
A gift that may be used for any purpose or project as the donor has not specified a particular use or restriction.

8.0 Other Related Resources

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<tr>
<th>Subject</th>
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<td>Cost Accounting Standards for Sponsored Projects</td>
<td>CAS 502</td>
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<td>Cost Principles for Educational Institutions</td>
<td>OMB Circular A-21</td>
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<td>Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education</td>
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9.0 Contacts

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10.0 Content Creator

Policy Owner | OSP and Advancement

11.0 Revision History

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12.0 Scheduled Review

Modified: __________, 2011