

HARVARD UNIVERSITY



Gift vs. Sponsored Award Policy

Originally Issued: July 1, 2011

Last Revised: May 12, 2023

Responsible Office: Office for Sponsored Programs (OSP)

Policy Statement

Proper classification of External Funding to the University, as either Gift or Sponsored Award, is essential to ensure that such funding receives proper compliance review, accounting treatment, and administrative oversight at the University.

Reason for Policy

The University must manage all External Funding received in accordance with applicable federal, state, and local laws, and with the specific terms and conditions of any Gift or Sponsored Award. The University's approval, negotiation and agreement processes and mechanisms, accounting, budget practices, oversight, and compliance practices differ depending on whether funds received are categorized as a Gift or as a Sponsored Award. It is, therefore, essential that categorization of External Funding received be undertaken with utmost care and with a sound understanding of the various considerations (outlined below) that drive the determination of funding type. This policy is intended to facilitate the appropriate classification of Gifts vs. Sponsored Awards and to ensure that External Funding directed to the University receives the proper compliance review, administrative oversight, and monitoring. This document is not intended to specify the allocation of accounting codes [such as unrestricted gift or endowments (UG or UE), restricted gifts or endowments (RG or RE), non-federal grant (NG) and non-federal contract (NE)] to gifts, grants and contracts, although the concepts in this policy may be useful in making such classifications. Additional University guidance, in which the concepts of this policy are used, is available to assist in these accounting classifications. See below, "Related Policies and Guidance."

Who Must Comply

All Harvard University schools and units, University-wide initiatives, and centers, and all Harvard University faculty, other academic appointees, staff, and students who apply for, seek, or receive External Funding at or on behalf of Harvard University.

If any of the provisions of this Policy conflicts with any other University Policy, term, external regulation, or law, the more restrictive provision will apply.

Responsibilities

In situations in which the determination of Gift vs. Sponsored Award is not obvious, the offices identified below are expected to coordinate as follows:

The Submitting Offices, Office for Technology Development (“OTD”), University Development Office (“UDO”), Alumni and Development Services (“ADS”), and the Office of the Provost are responsible, using factors and procedures outlined below, for working in conjunction with one another to reach a determination as to whether the External Funding is a Gift or a Sponsored Award, in consultation with the Office of the General Counsel (“OGC”) as appropriate. The Submitting Offices and OTD are also responsible for following the normal procedures required to accept and set up a Sponsored Award. ADS is responsible for following the normal procedures required to accept and set up Gifts.

Only ADS may formally accept Gifts, and only the Submitting Offices and OTD may formally accept Sponsored Award funding on behalf of the University. ADS, the Submitting Offices, and OTD therefore must apply this policy in determining whether to accept External Funding as a Gift or as a Sponsored Award.

School-level officials who are involved in discussions relating to prospective Gifts or who administer Gift funds, and school-level officials who assist faculty with applications for and discussions relating to Sponsored Awards, are responsible for applying this policy, using factors and procedures outlined below.

Procedures

In many cases, the determination of whether funding received is a Gift or a Sponsored Award is relatively straightforward, while in other cases the determination may be more difficult. External Funding may have separate components, some of which qualify as Gift funds, and others that qualify as Sponsored Awards.

A Gift is a transfer of funds or assets from an external donor to the University, for which there are no goods, services, or other benefits expected, implied, or exchanged in return to the donor, other than recognition or other immaterial benefits. A donor may not recoup Gift funds; unexpended funds may not be returned to the donor, nor may they be transferred to another institution. A Gift may be an unrestricted donation to the University, or a donation whose uses may be restricted to an academic area or to a defined group of academic, departmental or other University activities. Within the restrictions set by the terms of a Gift agreement, the specific ways in which funds are used and the methods of implementing the intent of the donor are left to the discretion of the University. When Restricted or Unrestricted Gifts are received, the University typically enjoys broad latitude in how to use the Gift funds. A Gift generally has no time limit for its use and expenditure. A Gift may be directed by a donor to support the work of a specific department or faculty member, but in these cases, the department or faculty member typically would have broad discretion as to the design and implementation of, and specific expenditures to support, specific academic activities for which funds received would be used. It is not unusual for a donor to expect a report on the general uses of funds donated (for example, a list of activities or projects that have been supported by a Gift).

In Sponsored Awards, however, the business interests or mission of the source of External Funds is most often related directly to the uses for which the funds are put by the recipient. Because sponsors typically are concerned that their funds be used to support activities that align with the sponsor's own mission or interests, sponsors typically provide funding for Sponsored Awards based on a specific project or research plan and budget, for a specified period of time, with funds unused at the expiration of the time period typically reverting to the sponsor. The plan most often involves an identified University faculty or group of faculty members as the academic project leader(s), and specifies goals and objectives, as well as

the methodologies and approaches to be used, pursuant to the program or research plan tied to the funds awarded. Sponsors expect the University to be fully accountable for assuring that the program or research is conducted with financial, ethical and scientific integrity and in compliance with all applicable federal and state laws and regulations. In a Sponsored Award, both the University and its faculty are usually responsible for reporting on progress and results to the sponsor at intervals or milestones identified in the Sponsored Award. Sponsors usually stipulate as part of the terms and conditions of an Award that they have discretion to examine, even on a line-item basis, the expenditures of the Sponsored Award funds, and to disallow and demand repayment of any funds determined to have been expended for purposes other than direct support of the defined activities. If the funded program or research is not pursued, or the contracted deliverables not attained, sponsors often reserve the right to recoup some or all of the Sponsored Award funds from the recipient. Any request by a funder of either a Gift or a Sponsored Award to remain anonymous requires careful review of the Harvard University [Openness in Research Policy](#).

In some cases, distinguishing between a Gift and a Sponsored Award is complex and requires consideration of many factors, including but not limited to:

- the mission of and potential benefit received by the funder;
- the value exchanged;
- the scope of work;
- the nature and specificity of any defined activities;
- the terms of accountability for use of funds and deliverables; and
- in case of failure to complete the defined activities, the ability of the funder to recoup the funds provided or to obtain a refund (or receive a reversion) of unused funds.

Some External Funding may initially resemble a Gift because the terms lack detail about activities to be funded but, if the terms require a funder to periodically approve specific program or research activities and/or specific uses of portions of funds, such funding would likely be considered as a Sponsored Award, because of the funder's ongoing control over specific activities for which the funds are used and/or the

budgets for those activities. For additional guidance on the terms that can distinguish between a Gift and a Sponsored Award, please see the [Gift vs. Sponsored Award Decision Matrix](#).

Application of appropriate indirect cost recovery and assessment rates must – according to established University policy ([Policy for the Application of Indirect Costs to Sponsored Awards](#)) – follow appropriate classification of External Funds as a Gift or Sponsored Award, rather than influence that classification.

The difference in treatment for the recovery of indirect costs and assessments, although it may provide an incentive for funders, faculty, staff or schools to prefer one category over another, must not be considered as a criterion in determining whether External Funds received constitute a Gift or a Sponsored Award.

In some cases, External Funds received may be, by the terms on which they are provided, in part a Gift and in part a Sponsored Award. In that event, funds received should be allocated between Gift and Sponsored Award, and the corpus of each portion treated differently and appropriately for management, accounting, compliance and oversight purposes with its own specific governing instrument.

When the appropriate categorization of External Funds received is uncertain, the Submitting Offices, OTD, and/or school officials should consult with the Office of the Provost and ADS before making a determination. These offices, in turn, may consult with UDO, and OGC. Similarly, when UDO, ADS, and other responsible offices within the University are uncertain about appropriate classification of External Funds, they should consult with the Office of the Provost, the Submitting Offices, and/or OGC. In cases of continuing uncertainty or dispute about the appropriate categorization of External Funds received, the Provost and the University Chief Financial Officer will consult and reach a final determination.

Definitions

Gift

An asset that has been given to Harvard for which the donor does not receive any tangible goods or services. A philanthropic Gift to Harvard University has the following characteristics:

- Charitable donation to and for use by Harvard University
- Transfer of assets and release of all control of assets from the donor to Harvard University
- Voluntary act of the donor made without receiving, or expecting to receive, anything of any value (i.e., no “quid pro quo”)
- Commitment that is distinct from sponsored research and contracts.

Restricted Gift (RG)

This category includes Gifts made by a donor who instructs the University as to the use of the funds in a specific academic area or for specific academic purposes. Gift terms for Restricted Gifts may specify particular activities, but usually do not specify how the funding must be spent or administered, and allow funding to be utilized at the full discretion of the recipient, consistent with the overall Gift purposes. Financial reporting requested by donors of Restricted Gifts is normally in the aggregate, although detailed reports are sometimes requested; in both cases this reporting is solely intended to assure proper Gift stewardship. Unexpended funds are not returned to the donor nor are they transferred to another institution with a faculty member. All Restricted Gifts are processed by ADS.

Unrestricted Gifts (UG)

These funds are established by Gifts without donor stipulations. The monies may be used for the general purposes of the tub in which an Unrestricted Gift is established.

Sponsored Awards

This category includes all funding arrangements in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a specified set of activities for, the sponsor in

exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise. This category also includes all subcontracts and subgrants, whether from federal or non-federal sources. Sponsored Awards most often support research activities, but in some cases may be provided for non-research, demonstration or service projects.

Non-Federal Grant (NG)

The principal purpose of the relationship is to transfer a thing of value to Harvard University to carry out a public purpose of support or stimulation and substantial involvement is not expected between the funder and Harvard University. See [31 U.S.C. § 6304](#).

Non-Federal Contract (NE)

The principal purpose of the relationship is to acquire (by purchase, lease, or barter) property or services for the direct benefit or use of the funder. See [31 U.S.C. § 6303](#).

External Funding

This category refers to Gifts and Sponsored Awards from sources other than Harvard University.

Submitting Offices

Office for Sponsored Programs (“OSP”), Harvard Medical School Office of Research Administration (“HMS ORA”), and Harvard T.H. Chan School of Public Health Sponsored Programs Administration (“HCS SPA”), and the Office of Technology Development (industry only).

Harvard University

All Gifts and Sponsored Awards are made to the President and Fellows of Harvard College. The President and Fellows of Harvard College also does business as Harvard University, as a whole or acting through any of its Schools or units.

Contact/Responsible Office

- [OSP](#)
- [HMS Office of Research Administration](#)
- [HCS Research Administration](#)
- [OTD](#)
- [Alumni and Development Services](#)
- School-level sponsored program officials or Tub Finance Office

Key subject matter experts who provided input in the development of this policy were the University's three Submitting Offices, ADS, OTD, OGC, the Vice Provost for Research, the University Director of Sponsored Research, and the Sponsored Administration Leadership Committee, which includes School-level officials responsible for sponsored program administration within their schools.

Revision History

Initial policy effective July 1, 2011. Revised May 12, 2023.

Related Resources/Appendices

- [Guidance for determining external fund classifications](#)
- [Gift vs Sponsored Award Quick Reference](#)
- [Gift vs. Sponsored Award Decision Matrix](#)
- [Gift vs Sponsored Awards Policy: FAQ](#)
- [Determining Award Type for Non-Federal External Funding: RG, NG or NE?](#)
- [Policy for the Application of Indirect Costs to Sponsored Awards](#)
- [Openness in Research Policy](#)
- [Revenue Recognition Policy](#)
- [Tax Compliance for External Revenue-Generating Activities in the U.S.](#)
- [Internal Billing Transactions](#)
- [Service Centers: Academic Service Center Policy](#)
- [Consulting or Related Service Agreements](#)
- [Research Administration Glossary](#)