

UC Berkeley Guidance on Defining and Distinguishing Between Research Gifts and Sponsored Projects

DEFINITIONS

Both sponsored projects and research gift funded activities are externally-supported, with funds typically provided in response to a request or proposal. The classification of funding as "research gift" or "sponsored project" will affect, among other things, the way UC Berkeley (hereafter UCB) accounts for the funds, calculates and applies Facilities & Administrative (F&A) indirect costs, and reports on the use of the funds to the sponsor or donor and to the Office of the President. The following summary outlines the campus procedure for defining and distinguishing between research gifts and sponsored projects. If you have any questions, after reading the information below, please contact Lynne Hollyer, lhollyer@berkeley.edu, Industry Alliances Office.

Definition of Sponsored Projects

Sponsored Projects are externally-funded activities in which a formal written agreement, i.e., a **grant, contract, or cooperative agreement**, is entered into by the UC Regents and by the sponsor. Sponsored projects typically have a specified statement of work with identified deliverables, allow for detailed financial accounting, and have a budget which includes direct and indirect costs of the research activity.

The following conditions characterize a sponsored project agreement, and help to distinguish such ~~Statement of Work~~ gifts:

Sponsored projects are typically awarded to the UC Regents in response to a detailed statement of work and commitment to a specified project plan. As described below, this statement of work is usually supported by both a project description and a line-item budget, both of which are essential to financial accountability. The statement of work and budget are usually described in a written proposal submitted by Berkeley to the sponsor for review and agreement.

2. **Detailed Financial Accountability**

The sponsored project agreement includes detailed financial accountability, typically including such conditions as:

- a line-item budget related to the project plan. The terms of the agreement may specify allowable or unallowable costs, requirements for prior approvals for particular expenditures, etc.
- a specified period of performance, typically defined with "start" and "stop" dates
- a requirement to return any unexpended funds at the end of that period
- regular financial reporting and audit, including, for federal and state awards, accountability under the terms of OMB A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements With Educational Institutions and OMB A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. These conditions generally define the level of financial accountability associated with a sponsored project.

3. **Required Deliverables**

Sponsored project agreements also usually include contractual consideration such as

- terms and conditions for the disposition of tangible properties (e. g., equipment, records, specified technical reports),
- intangible properties (e.g., intellectual property [rights in data, copyrights, inventions], testing, or evaluation of proprietary property),
- other services or considerations specified by the sponsor.

While not all of the above conditions are necessary to define a sponsored project, they are collectively indicative of the increased level of financial accountability associated with such projects.

Definition of Research Gifts

A research gift, on the other hand, is defined as any item of value given to the University by a donor who wishes to support the research of a faculty member or group of faculty members, and who expects nothing of significant value in return, other than recognition and disposition of the gift in accordance with the donor's wishes.

Therefore, a gift is designated as a Research Gift when it is provided as unrestricted funds or as an in-kind contribution to support the research of one or more specified faculty members or research programs.

In general, the following characteristics describe a research gift:

1. **Research gifts do not carry restrictions**, no contractual requirements are imposed and there are no deliverables to the donor. If restrictions are imposed on the use of funds, such funds will be regarded as a sponsored project and treated accordingly. A research gift may, however, be accompanied by an agreement that specifies the use of the funds for a particular purpose.
2. **A research gift is irrevocable**. While the gift may be intended for use within a certain timeframe, there is no specified "period of performance" or "start"/ "stop" dates as associated with sponsored projects.
3. **There is no formal fiscal accountability to the donor beyond periodic progress reports and summary reports of expenditures**. These reports may be thought of as requirements of good stewardship, and, as such, may be required by the terms of a gift. They are not characterized as contractual obligations or deliverables.

Recovery of Direct and Indirect Costs and Gift Fees

Once extramural funds have been classified as sponsored projects or as gifts, the following mechanisms are in place to recover costs incurred by the university:

For Sponsored Projects

In accordance with University of California policy, sponsored projects must recover the full cost of research, both direct and indirect. For more information on indirect costs/overhead please go to <http://www.spo.berkeley.edu/Policy/fa.html>. A sponsored project budget will include the University's full negotiated F&A (indirect) cost rate, unless a waiver of those costs has been approved.

For Research Gifts

An administrative fee is assessed to manage any research gift and to support relevant university infrastructure. Both gifts and research gifts are assessed campus administrative fees. Research gift administration fees are used to address the costs of administering research projects in the departments or units in which they are conducted, and for the costs they impose upon central research administration units. For more information, please see <http://research.chance.berkeley.edu/page.cfm?id=161>

DISTINGUISHING BETWEEN RESEARCH GIFTS AND SPONSORED PROJECTS

Distinctions Based On Source of Funds

All funds provided by U.S. Government agencies, at the federal, state, or local level, in support of UCB activities are treated as sponsored project funding. Government funds are not treated as gifts. Funding from Voluntary Health Organizations or Associations, such as the American Cancer Society or American Heart Association are also treated as a sponsored projects.

Distinctions Based on Intent of Donor/Sponsor

In cases where funding is being provided by corporations, foundations or others not specified above, the distinction between research gifts and sponsored projects will be made based on the nature of the proposal, statement of work, and/or terms of the agreement, taking into consideration the intent of the donor/sponsor.

Note that, in some situations, associated communications about the award or gift, including written proposal or award documents, or conversations, have already made it clear that the donor's/sponsor's intent was to classify an award to UCB as either a research gift or a sponsored project. In these cases, the terms of the accompanying agreement may have to be adjusted in consultation with the donor/sponsor in order to clearly document the intent, and avoid unintended classification, while insuring that appropriate campus and UC policies are followed.

THE DECISION-MAKING PROCESS IN UNCLEAR SITUATIONS

In some cases, the distinction between research gifts and sponsored projects can be difficult to draw. If PIs, departments or units need assistance in determining whether an interaction should be managed as a gift or a grant, please contact Lynne Hollyer, lhollyer@berkeley.edu, Industry Alliances Office.

In the event that a classification still cannot be made, the Vice Chancellors for University Relations and for Research will jointly resolve the issue. If necessary, the final arbiter is the Chancellor.

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