



Gift vs Grant or Contract Determination

Office of Research
Policy No. 2.3

Effective Date:
Last Update: 11 November 2020

I. Policy Summary

New Jersey Institute of Technology (NJIT) receives support from external sources. This support may be in the form of money, property, or services and may be applied to various University purposes. These awards take the form of either a gift (non-exchange) or grant or contract (exchange).

II. Policy Purpose

This document should be used to ensure that the classification of external funds received by the University complies with accounting rules and with the University's Chart of Accounts business rules. In cases where the classification is unclear, school-level officials will consult with the relevant submitting office(s) to determine which classification is appropriate.

External funds received may have characteristics that fall across different classifications; however, all factors with respect to the award must be considered to make a final determination.

A. III. Policy Scope and Applicability

This guidance applies to all external sources of funding received by NJIT including the Office of Development and Alumni Relations, and the Office of Research.

B.

IV. Definitions

A. **“Gift”** means a voluntary, non-reciprocal transfer of resources from a sponsor. The sponsor may be an individual, a corporation, or a non-profit organization. There is no expectation of direct economic benefit or provision of goods or services by the University, other than recognition and adherence to any sponsor imposed restrictions. Beyond a designation of the use, the sponsor does not impose contractual requirements. Any subsequent reporting on the use of the funds to the sponsor is not a condition of the receipt of funds, but rather a function of the sponsor stewardship process. The absence of quid pro quo language helps define the charitable nature of this type of giving. Only Development & Alumni Relations may accept gifts on behalf of the University.

B. **“Grant or Contract”** means an award from a sponsor to the University in exchange for specific deliverables (e.g., technical reports, progress reports, etc.) to be provided within a designated period of performance. Payment or reimbursement of incurred expenditures may be contingent on receiving these deliverables.

C. **“Exchange”** means a transfer of money or property from a sponsor to NJIT in exchange for specific deliverables.

D. **“F&A Costs” or “Indirect Costs”** means those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular Sponsored Project,

instructional activity or other institutional activity.

E. **“Non-Exchange”** means there is no expectation of direct economic benefit or provision of goods and services from NJIT, other than recognition and adherence to any sponsor imposed restrictions. Beyond a designation of the use, the sponsor does not impose contractual requirements.

F. **“Sponsor”** means a federal, state or local government agency, foundation, or other private organization that is providing support in the form of money, property, or services.

G. **“Development”** means the Office of Development and Alumni Relations at NJIT.

V. Policy Statement

i. Overview

C. **General.** Classification of resources requires careful review and exercise of judgment. The assessment may be done at a proposal development stage prior to submission to determine workflow process through the administering department or may be done on an award basis at the inception of the award.

The terminology used by the sponsor is not determinative. Sponsors may refer to a payment as a “grant” even though it is a gift or as a “gift” even though it is a grant. 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 sponsor does not automatically mean that the award is a grant.

The following may be true either of a gift, grant, or contract 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 sponsor places restrictions on the use of funds and/or retains the right to revoke the award.

However, if an award is from a federal or state source (or a pass through from a federal or state source) related to research activities, these will be classified as grant or contract and be administered through the Office of Research.

Additionally, regardless of funding source, if **ALL** of the following are true, the funding will be considered a grant and be administered through the Office of Research:

- Award is in support of research related activities within the research enterprise
- Regulatory monitoring, approvals and compliance review are required.
- Special requirements such as terms of ownership of intellectual property, confidentiality agreements, licensing rights or non-compete clauses are present.
- Period of performance is specified with prescribed deliverables.
- Requires fiduciary/administrative responsibility over and above general reports, such as certification of expenditures, effort, and facility use or personnel commitments.

D. **Accounting.** It is important to properly categorize gifts, grants, and contracts in order to recognize revenue in the appropriate period.

- Gifts received are recognized as revenue in the period received.
- Pledges, other than endowment, are recognized as gift income and recorded at their present value.
- Resources received in exchange transactions are recognized as revenue as the qualified expenditures under the agreement are incurred.

E. **ii. Award Determination and Administration**

F.

When the appropriate categorization of external funds received is uncertain, the Office of Research and Development will meet and review supporting documentation. The decision tree in Appendix A will be used for reference.

As needed when consensus cannot be reached between the two offices, the matter will be elevated to the Vice President (VP) for Development & Alumni Relations and Senior Vice Provost (SVP) for Research for a decision.

When consensus cannot be reached at the VP and SVP levels about the appropriate categorization of external funds received, the final determination will be made by the Senior Vice President for Finance and Chief Financial Officer.

G. **iii. Requirements for Research Gifts**

A research gift is when the funding is restricted to support program expenses related to research activities either for a specified program or Principal Investigator but do not have any further fiduciary requirements other than subsequent reporting on the use of the funds to the sponsor that is not a condition of the receipt of funds, but rather a function of the sponsor stewardship process. These awards will be received and administered through the development office.

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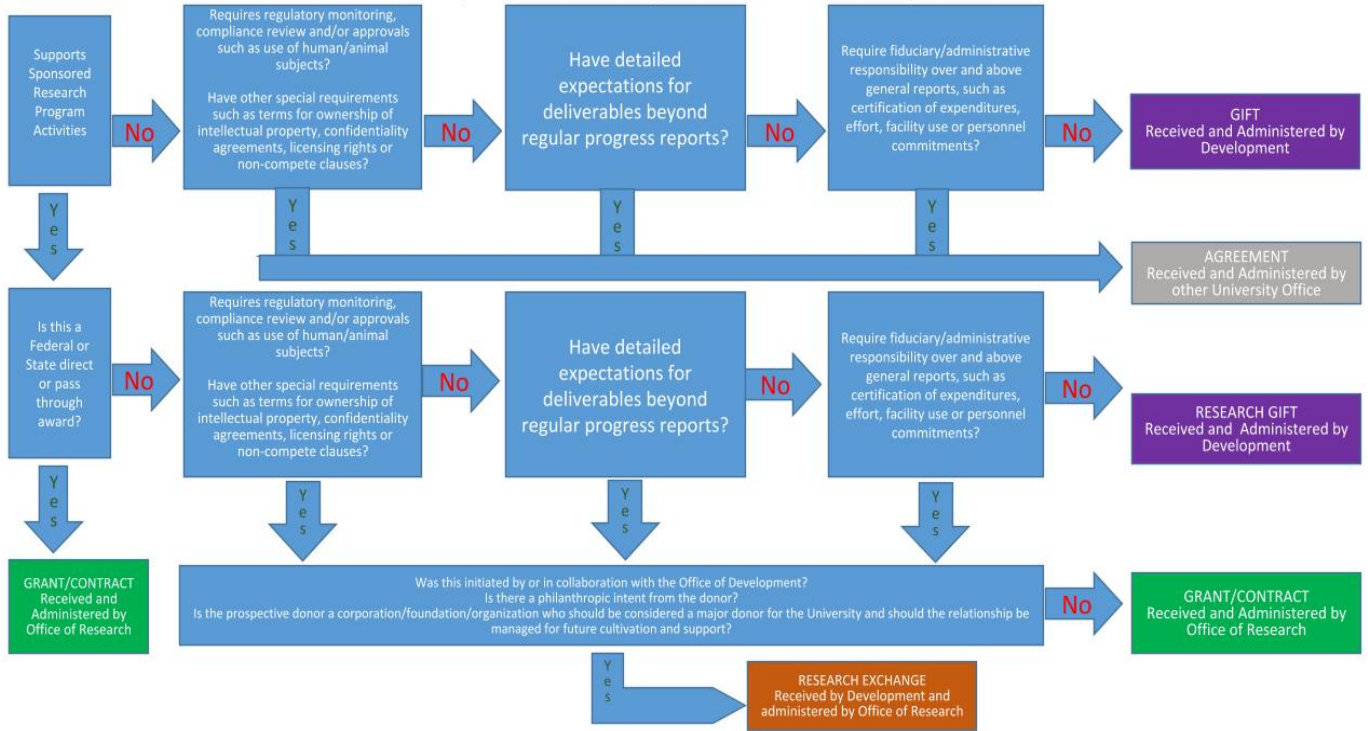
H. iv. Review Criteria

The below criteria has been provided to assist in determining the appropriate classification. The presence of any single factor does not confirm the designation of gift, grant, or contract. Rather, one must look at the award as a whole in order to make a judgment as to its proper classification.

	POSSIBLE INDICATORS		
FACTOR/CRITERIA	GIFT (NON-EXCHANGE)	RESEARCH GIFT (NON-EXCHANGE)	GRANT/CONTRACT (EXCHANGE)
Administered by:	Development	Development	Office of Research
Source:	Individuals/Family Foundations Non-Profit Organizations Corporations Corporate Foundations	Individuals/Family Foundations Non-Profit Organizations Corporations Corporate Foundations	Government Agencies (including pass through) Non-Profit Organizations Corporations Corporate Foundations Other Academic Institutions
Proposal Process	Initiated by sponsor or the Office of Development and Alumni Relations	Either initiated by Office of Development and Alumni Relations or faculty member working with the Development	Initiated by faculty members working together with the Office of Research
Purpose/Intent (Scope of Work)	A sponsor may specify a general area of interest or a goal to be funded by their donation.	Supports the research of one or more specified faculty or research programs	A sponsor stipulates how the funds should be utilized via supporting documentation (notice of award, grant, agreement, subcontract, budget line items).
Documentation	Letter of Donor Intent/Gift Agreement Donor Check/Payment	Same as for gift	Grant, contract, notice of award, agreement, subcontract.
Period of Performance	N/A	N/A	Start and end dates identified within the supporting documentation
Reporting	Any subsequent reporting on the use of the funds to the sponsor is not a condition of the receipt of funds, but rather a function of the sponsor stewardship process.	Same as for gift	The award document specifies deliverables such as technical, financial, inventor, or procurement reports, milestones, timetables, etc.
Penalties	No penalties for failing to use the funds.	Same as for gift	Penalties may apply for failing to comply with the terms and conditions set forth by the sponsor.
Compliance	N/A	Restricted Use for research as indicated	Requires regulatory monitoring, compliance review and/or approvals
Excess Funds (Residual Funds)	N/A	N/A	May be required to return to sponsor.
Intellectual Property	N/A	N/A	Special requirements for IP ownership, confidentiality agreements, licensing or non- compete clauses
Facilities and Administrative (F&A) Costs	N/A	N/A	F&A Cost Rates may apply.

Appendix A-Award Determination for Gift vs Grant or Contract Decision Tree

Gifts – Received and Administered by Office of Development and Alumni Relations (Development Gifts)
 Grant/Contract – Received and Administered by Office of Research (Research Grants/Contracts) related



VI. Authority and Responsibility

The Office of Research, Office of Development and Alumni Relations and Finance have institutional authority for the matters addressed in this policy. Questions related to this policy are to be directed to the executive director, sponsored research programs administration.