

TIGER TIPS

RESOURCES FOR AUBURN RESEARCHERS

Classification of External Fund

Most external funds received by the University are clearly identified as a gift or a grant/contract, but there are some instances in which that is not the case and the determination of the nature of the funds require consideration of many factors and some additional review of the documentation available.

Gifts and Grants/Contracts are administered by different offices at the university and they carry their own distinct sets of policies and procedures, therefore, it is essential that the determination of external funds be undertaken with care and with a sound understanding of the various considerations that guide the determination of funding type.

The correct classification of external funding as a gift or a grant serves as an important step in ensuring that the appropriate accounting and compliance treatment is used.

The [Auburn University and Affiliated Foundations Policy to Identify and Administer Gifts and Sponsored Projects](#) provides definitions and guidance for properly distinguishing the appropriate type of funding. The Policy also includes the AU Income Classification Checklist which should be used to determine the proper classification of non-sales and services revenue received through a department. In addition, the Policy also includes a number of FAQs to provide further guidance.

For general guidance, the following are specific characteristics of each funding type:

Gift

- Funds or goods given voluntarily with no reciprocal obligations.
- Donor may be an individual, company, association, or foundation.
- Qualifies as charitable contribution for donor's taxes.
- Potentially unrestricted or targeted with donor defining the purpose or a specific area of research.
- Returning unexpended funds are generally not required.
- No quid pro quo.
- The transfer of funds or goods is irrevocable.
- No formal financial accounting requirements beyond a general report of expenditures.
- No budgetary restrictions.
- No formal requirement for reporting research results to the sponsor.
- Imposes no requirement regarding disposition of either tangible property (e.g., equipment) or intangible property (e.g., inventions, copyrights, or rights in data).

Grant/Cooperative Agreement

- Funds provided in support of an institutional goal or public purpose.
- Investigator defines the project scope identifying research objectives.
- Sponsor retains the right to revoke the award with unused funds reverting to sponsor.
- Project scope is in award.
- Award is generally cost-reimbursable.
- Defined period of performance.
- Reports are normally on an annual basis.
- Supports further knowledge in a particular subject area or field of research.
- Intellectual property retained by university.
- Unrestricted publications.
- Benefit is generally to further the particular field of science or a sponsor's particular program.
- May qualify as charitable contribution depending on source of funds.

Contract

- A procurement mechanism for purchasing a specific service or product.
- University provides expertise or knowledge to solve a sponsor specific problem.
- Generally a joint or sponsor-defined scope of work.
- Sponsor retains the right to stop work or terminate the contract for performance.
- Contract may be cost-reimbursable or firm-fixed price.
- Reports typically required more frequently rather than annually.
- Publications may require a proprietary review and/or sponsor approval.
- Benefit is normally to the sponsor with an economic benefit as a result of the sponsored activity.
- University is generally required to produce a work product or deliverable on a specific date.
- Sponsor may exert some control or supervision over expenditures or deliverables.
- Payment may be incumbent upon receipt of deliverable.