

Gifts, Grants, Contracts and Clinical Trials
Background and Definitions Prepared by
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Background

For decades, the financial sector has had no difficulty differentiating between gifts, grants, and contracts. Both the Financial Accounting Standards Board (FASB) and Government Accounting Standards Board (GASB) have issued guidance defining these various forms of assets, as doing so is critical for proper representation on the books of nonprofit organizations. The differences between these three asset categories are quite clear, although as noted below, some institutions can, and do, blur the line between gifts and certain forms of grants.

Yet, while these distinctions are clear-cut for the financial industry, the Advancement/Fundraising community has often not always embraced these national standards – often as a way to artificially inflate their fundraising totals.

Both CASE (the Council for Advancement and Support of Education) and CAE (the Council for Aid to Education) have long held that the only transactions that should be counted in official fundraising totals are those coming from **private** sources (all government revenue is excluded), and must represent what the IRS would generally regard as being tax-deductible (absent any quid pro quo or exchange benefits).

Therefore, in an effort to better inform and educate the Advancement community as to what the financial community had already known for years, CASE endeavored to provide a fairly precise and easy-to-read set of definitions for these three transaction types. The following definitions were crafted based on input from a number of educational institutions and their CFOs in 2000-2, and incorporated on pages 23 and 24 of the 3rd edition of the CASE Guidelines (John H. Taylor, Editor). Please note, as indicated below, that for CASE and CAE reporting purposes gifts and grants are synonymous. However, definitions for both were included in order to be consistent with already existing financial accounting standards.

Finally, during the preparation of the 3rd edition of the CASE Guidelines (and based on interviews with many educational institutions – most especially those with strong research components), it was discovered that there was inconsistency nationally on the definition for, and counting of, “clinical trials.” After surveying dozens of these institutions, the Guidelines Revision Committee determined it was necessary to create a uniform definition for “clinical trials,” regardless of the term used by an institution, and require that all such transactions meeting said definition be **excluded** from official fundraising totals. This definition is found on the following pages as well.

¹ Subsequently adopted in whole or in part with minor edits for the 4th edition of the CASE Reporting Standards and Management Guidelines issued in 2009 and found on page 6.

Gifts, Grants, and Contracts

CASE recognizes that the determination of whether to classify certain revenues as a gift, grant, or contract can vary according to each institution's general accounting policies. CASE's goal is to ensure that institutions report only those transactions that involve true philanthropic intent. For CASE and CAE reporting purposes, there is no need to distinguish between a gift and a grant. However, in its continuing efforts to ensure that fund-raising reports are as consistent as possible across institutions, CASE provides the following general definitions:

- *Gift*: a contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution for which it has made no commitment of resources or services other than, possibly, committing to use the gift as the donor specifies (See elaboration on donor-control below). The contribution is a nonreciprocal transfer in that there is no implicit or explicit statement of exchange, purchase of services, or provision of exclusive information. If the donor receives benefits in return for the contribution, the amount of the gift recorded and reported is reduced by the fair market value of all benefits given (see Quid Pro Quo Contributions below), according to U.S. Internal Revenue Service and Canadian Customs and Revenue Agency regulations. The institution has no obligation to report to the donor how the gift is used or invested, but institutions are not prevented from providing such reports as part of donor stewardship.
- *Grant*: a contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution that typically comes from a corporation, foundation, or other organization, not an individual. An institution may determine that what a donor calls a grant is, for internal record keeping, a gift.

Grants normally fall into two categories, both of which are considered philanthropic in nature and thus countable in annual giving or comprehensive campaign reports:

1. *Nonspecific grants*: grants received by the institution that did not result from a specific grant proposal. The institution does not commit specific resources or services, nor is it required to report to the donor on the use of the funds. It is this category of grant that many institutions may opt to regard as gifts for internal accounting purposes.
 2. *Specific grants*: grants received by the institution resulting from grant proposals submitted by the institution. The institution commits resources or services as a condition of the grant, and the grantor often requests an accounting of the use of funds and of results of the programs or projects undertaken. Note: The grantor's requirement of regular status reports or other reports does not negate the philanthropic (and countable) nature of a specific grant.
- *Contract*: an agreement between the institution and another entity to provide an economic benefit for compensation. The agreement is binding and creates a quid pro

quo relationship between the institution and the entity. Contracts are excluded from an institution's fund-raising totals. For further help in determining whether a particular agreement is a grant or a contract, see Appendix B². Note: This definition is not intended to address gift annuity contracts or similar charitable instruments.

Clinical Trials

A clinical trial is an industry-sponsored organized medical study (with a protocol reviewed and approved by the appropriate review board) of a new or existing drug, medical device, or biological treatment on people or animals for the purpose of identifying the potential beneficial effect on treating human or animal illness and/or determining safety and efficacy. For the purposes of these standards, a clinical trial is a contract, regardless of the terminology used by the granting organization, and therefore it is excluded from official fund-raising totals.

² This appendix is found on page 93 of the 3rd edition of the CASE Guidelines.