**Evaluating Corporate Gifts**

**Problem statement:** Many corporate gifts are in support of activities that are clearly philanthropic. Certain companies, however, provide gift funds in support of technological areas in which they have a clear commercial interest. The purpose of this procedure is to evaluate whether such activities can be accepted as gifts (and therefore exempt from F&A) or whether they should be considered sponsored research (subject to university F&A).

1. Associate Deans for Research (ADRs) are familiar with Penn State policy articulated at RA04: <https://policy.psu.edu/policies/ra04>.

Key concepts:

Gifts, Charitable Grants, and Unrestricted Grants are forms of Financial Assistance donated or otherwise made to support the operations or other activities undertaken by the University where the donor / grantor may direct the **general** purpose of the funds but the actual expenditure of funds is **not controlled** by the donor/grantor and where there is **no Quid Pro Quo**.

Restricted Grants and Contracts are contractually binding arrangements which establish a Quid Pro Quo relationship or where the grantor controls the expenditure of the funds.

Per [RA04](https://policy.psu.edu/policies/ra04): “Some indications that the award is not a charitable grant and should be classified as a restricted grant or sponsored research include: studies are to be conducted on substances / products / processes, etc., in which the grantor has a financial interest; the grantor hopes to gain economic benefits as a result of the activity to be conducted; the grantor expects to receive a technical report; or the grantor participates in determining the work to be performed or services to be provided on the project.  Establishing the donor's intent will usually answer the question as to the proper classification.”

1. ADRs are asked to help determine whether the scope of work, as proposed, meets the definition of a charitable grant
   1. Are studies to be conducted on specific substances / products / processes, etc., in which the grantor has an existing or near-term financial interest?
   2. Does the grantor hope to gain economic benefits as a result of the activity to be conducted? Are there elements of the proposal that would expressly enable the company to commercialize the findings and profit from them? Would the grantor have identifiable advantage over its competitors in commercializing findings from the supported research?
   3. Is the funder expecting anything beyond a [stewardship report](https://www.research.psu.edu/research.psu.edu/osp/gift-questionnaire)? This would include privileged communications of any kind between the grantor’s technical contact and the Penn State PI.
   4. Will the grantor participate in determining the work to be performed or services to be provided on the project? (Once a positive funding decision is made, that has to be the end of grantor participation.)
2. If, based on the above, the ADR is confident that the project meets the definition of a gift and/or charitable grant, the ADR should ask the PI to make the following written commitment: "Privileged discussions with or reports to the sponsor or its personnel — that is, those not available to anyone else — in the course of project performance are expressly prohibited, as that would be contrary to classifying the award as a gift or charitable grant.”

Last update: 5/7/22 (jwh)