Definition and Deposit of Private Funds

1.0 Purpose

Virginia Tech often receives funding from sources other than state appropriations. In order to establish proper accounting and operating policies for these funds, certain definitions must first be made. This policy defines the difference between private and governmental funds and outlines the procedure to handle private funds.

2.0 Policy

Generally, University funding sources may be divided into two groups, private and governmental funds. Governmental funds, i.e., those received from various federal, state and local governmental units, are normally received as part of normal program support, contractual or sponsored program-related work. The following definition is intended to apply solely to private funds.

For the purpose of this definition, it is assumed that funds received based upon written agreements for services to be provided (sponsored programs) must be deposited in university accounts. Further, it is understood that all gifts received on behalf of the University should be deposited directly to the Virginia Tech Foundation in accordance with the policy established by the Board of Visitors. The difficulty arises in determining whether other funds received from private sources should be deposited as Sponsored Program funds or as gifts (into the Virginia Tech Foundation).

A gift is defined as any money from private sources, whether solicited directly or not, for which the donor does not retain any reversionary interest or cannot be expected to receive any material deliverable from the act of donating funds. This definition follows the guidelines established by the Internal Revenue Service as well as practices of other universities and non-profit organizations.

In order to implement this definition, a further definition of each of the key elements must be made. The key definition here is for the term "deliverable." A deliverable is defined as a tangible product or service resulting directly from the use of funds transferred to the University for which the original payor of the funds will receive a material, tangible benefit to which they would not otherwise be entitled. In other words, if the transfer of these funds would result in the payor deriving a unique or preferential benefit, the funds could not be treated as a gift. A benefit would be defined as being "unique" if the payor were allowed to receive the benefit prior to the benefit being made publicly available. Examples would include first or initial rights to specific research findings, inventions, reports, etc. before this information was made available to the general public.
The requirement by a payor that he receive reports outlining the expenditure of the funds given would not preclude the funds being defined as a gift, as this is a common practice of many large charities. Further, restrictions placed on the use of the funds by the payor would not preclude the funds as being treated as a gift, as this is also a very common practice in charitable giving. Finally, funds could be restricted by the payor for any purpose, including areas of research. Restrictions of funds to particular areas of research would not preclude the funds from being treated as gifts, as long as the remaining criteria in the gift definition were met.

Because payors often use the terms "grant" or "gift" in a manner inconsistent with our objectives, the language used by the payor should not of itself determine the classification of the funds.

As with any definition, certain situations will arise that do not clearly meet the criteria of either gifts or Sponsored Program funds. In such situations, the funds would be temporarily deposited into the University Local Funds pending determination of the proper place of deposit (Sponsored Programs account, Foundation account, other). The determination of the proper depository account will be made by the University Controller in consultation with the Office of Sponsored Programs. If the decision is made to deposit these funds into the Foundation, annual reports of these revenues will be sent to the Office of Sponsored Programs. In this way, the funds will be utilized in the most efficient manner and the University as a whole will be able to correctly report and account for all funds received in support of research.

### 3.0 Procedures

**INDUSTRIAL AFFILIATES:** Several programs exist whereby "membership fees" are paid by corporations to support specific research activities. These fees are neither gifts nor Sponsored Program funds. However, in order to provide a flexible and supportive mechanism for these programs, these funds will be deposited into the Virginia Tech Foundation upon receipt. Revenues and expenditures related to these programs will be reported quarterly to the Office of Sponsored Programs and the University Controller. Sponsored projects may be established for these programs as needed. The Controller will determine whether the capture of indirect costs is required. The remaining funds would be available for expenditure from the Virginia Tech Foundation in accordance with the Foundation's normal policies.

**FIELD TESTING:** Funds received for field testing, when requested by or for the payor, do not represent gifts. These funds must be deposited directly with the Office of Sponsored Programs. The Virginia Tech Foundation has implemented procedures to screen supporting documents for gifts to determine whether funds received are actually gifts as defined above. Any funds deposited with the Foundation and later determined to constitute payment for field testing, will be transferred to the University through the Office of Sponsored Programs.

**CORPORATE EDUCATIONAL FOUNDATION GRANTS:** Many large foundations have been established for the purpose of supporting educational and research programs at universities. Generally, these foundations use the term "grant" for the majority of their support. These payments are gifts, if they meet the other criteria outlined above, because there is no reversionary interest or benefit derived by the foundation. This determination is not changed by the fact that these foundations require annual expenditure reports.

### 4.0 Definitions

A **GIFT** is defined as any money from private sources, whether solicited directly or not, for which the donor does not retain any reversionary interest or cannot be expected to receive any material deliverable from the act of donating funds. This definition follows the guidelines established by the Internal Revenue Service as well as practices of other universities and non-profit organizations.
A **DELIBERABLE** is defined as a tangible product or service resulting directly from the use of funds transferred to the University for which the original payor of the funds will receive a material, tangible benefit to which they would not otherwise be entitled.

### 5.0 References

Policy 12110, Handling Virginia Tech Foundation Funds  
[www.policies.vt.edu/12110.pdf](http://www.policies.vt.edu/12110.pdf)

### 6.0 Approval and Revisions

Initially issued March 30, 1988, as a Deans, Directors, Department Heads memo by the Executive Vice President and Chief Business Officer, Minnis E. Ridenour. Converted to standard policy format, February 22, 1991, and approved by the Executive Vice President and Chief Business Officer, Minnis E. Ridenour.

Revision 1

- Section 2. Changed deposits of funds for sponsored programs from Office of Sponsored Programs to University Accounts. Deleted list of organizations supporting restricted giving.
- Section 3.1. Revenues will be reported quarterly instead of annually.  
  Approved February 28, 1999, by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

Annual review November 6, 2001 by Vice President for Administration and Finance, Raymond D. Smoot, Jr. No revisions.