

Fund Determination Decision Tree (DT) FAQs

Effective September 1, 2019, NYU adopted a [Determination Decision Tree \(DT\)](#), as a tool to administer the account (chartfield) setup and revenue recognition for contributions and sponsored projects.

DT Basics

- The DT is used for contributions (both cash gifts and pledges) and was developed to implement [Financial Accounting Standards Board \(FASB\) regulations ASU 2018-08](#), “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.”
- The goal of the DT is to distinguish between contributions and sponsored projects and categorize gift account (chartfield) setup and revenue recognition in accordance with the [NYU fund classification definitions](#) based on donor language and restrictions.
- The University’s external auditors, PricewaterhouseCoopers (PwC) will review the DT when performing audit procedures for contributions and sponsored projects as part of the annual financial statement audit.
- Special thanks to the Department Advisory Board (DAB) members for Accounting & Compliance for Contributions (Gifts/Endowments) who collaborated and contributed in creating the DT FAQ’s and enhancing the DT:
 - Mario Guevara (OGA), Susan Flint (Law), Jason Goff (Stern), Linda Wheeler Reiss (Gallatin), Caroline Bates (Steinhardt), Joseph Wright (FAS), Stanley Ng (Shanghai), Garrett McGuire Tabb (Silver), Erin Varga (Tandon), Chad Wheeless (Tisch), Jeff Rathgeber (IO), Kyle Wright (IA), Kevin Gray (SOM), Bassam Moubarak (AD), Peter Arena (Provost’s Office), Will Smith (OSP), Meidy Candia-Leyva (RFS/SPA), Breanne Gosselin (ACCI).

General

1. Why was the DT adopted by NYU?

The DT was created to properly classify gifts with donor restrictions in order to ensure NYU is compliant with donor intent and purpose (as stated in gift agreements). The DT is a foundational internal control, which ensures accuracy and integrity with the following contribution and investment operations: gift account setup, IRS charitable donation status, gift pledge type identification, GAAP fund accounting and gift revenue recognition. This sets the stage for accurate stewardship reporting.

2. How is the DT used?

The Accounting & Compliance for Contributions & Investments (ACCI) team uses the DT as a key element of the review process for the account setup for contributions.

Retrospectively, the ACCI team also uses the DT for Fiscal Year End reviews for financial statement and after-the-fact reconciliation purposes. This work is done in conjunction with NYU’s internal control program and audit readiness preparation.

Prospectively, the DT can be used by any NYU community member, who needs a resource guide when distinguishing elements of a contribution (cash gifts and pledge).

The DT is used for all contributions (cash gifts and pledges). The payment methods in the contribution agreement may include references to:

- Pledge - a "promise" to donate a specific total amount (a set \$ figure over a scheduled period of time, via one/multiple payments that are auto-scheduled or manual).
- Recurring - a donation of the same amount on a scheduled basis (no set amount total, no balance or amount in arrears b/c no comparison against total promise).

3. Has the DT been updated since 2019?

Yes. As part of continuous process improvement, ACCI collaborated in the summer of 2021 with the Office of Advancement Services (Gift Administration), Global Accounting & Financial Reporting, Investment Office, Budget Office, Internal Audit, Office of General Counsel, Research Finance Support (Sponsored Programs Administration), and Office of Sponsored Programs to review and update the DT. In addition, ACCI collaborated in the summer of 2021 with Departmental Advisory Boards (DABs), made up of a cross section of campus stakeholders.

The decision tree received additional updates in October 2021 based on PwC review.

4. Which office is the NYU responsible party for accounting & compliance for investments, gifts and grants?

GGIA&C is responsible for accounting & compliance for investments, gifts and grants.

Many stakeholders and collaborators contribute to the accuracy and integrity of NYU's general ledger. When action items are performed accurately in early donation/award lifecycle stages, this directly correlates to accuracy and integrity in the general ledger, which protects NYU from risk of audit findings and/or non-compliance, as well as enhances external donor/sponsor relations and increases future donation/award possibilities via positive stewardship.

5. Are other offices involved in DT reviews?

Yes. ACCI collaborates with OAS (OGA), RFS (SPA) and OSP to reach consensus and make final decisions on gift determinations. When making decisions, DA's/FO's may be asked to provide information or clarifications, as part of due diligence prior to donation/award set up.

If you need further assistance after using the DT for a determination, please send an email to GiftOrGrant@nyu.edu. This alias will notify Breanne Gosselin (breanne.gosselin@nyu.edu), Mario Guevarra (mario.guevara@nyu.edu), Meidy Candia-Leyva (mc7410@nyu.edu) and Will Smith (wls9347@nyu.edu).

6. How do I avoid having a situation where my sponsored award is miscoded as a gift?

The goal is to accurately determine the sponsored award type and proper coding at the initial sponsored award intake and setup stage.

Utilizing sponsored award templates that incorporate DT criteria and attributes will proactively avoid a miscoding situation. Providing explicit sponsored award information or clarifications - at time of sponsored award issuance - will greatly help with sponsored award setups and DT reviews. This includes reducing to writing any nuances that might have been agreed to outside the sponsored award documents (e.g. verbal items). In addition, seeking consultation from ACCI, OAS (OGA), RFS (SPA) or OSP as sponsored awards are being written, will proactively avoid a miscoding situation.

7. What are some examples of language that could create problems during a gift audit?

ACCI relies on OAS (OGA) for charitable determinations in accordance with [IRS requirements](#).

To qualify as a [charitable contribution \(IRS requirement topic #526\)](#) and [charitable deduction \(IRS requirement topic #506\)](#) any transfer of funds or property to the university must be to, or for the use of, the university in conducting its educational, research and service missions directly; ***and*** meet the requirements of the IRS for deductible charitable donations.

Contributions for permanent endowments must have the donor's agreement, in writing, that the monies are available to the university in perpetuity, or other words that indicate the donor's intent that the gift be permanently retained by the university (e.g. irrevocable). Some problematic examples include, "These monies are not available in perpetuity" or "These monies are available for a period of 5 years" or "These monies must be used by 1/1/2022" or "These monies cannot be spent after 12/31/2023" or "These monies are not fully able to be retained by the university" or "Any monies spent after 7/1/2024 are unallowable" or "These monies must be fully spent and any unspent funds are revocable" or "These monies are partially able to be retained by the university" or "These monies are temporarily retained by the university".

Contributions for quasi endowments are often referred to as funds functioning as endowment and must have the donor's agreement, in writing, that the monies are available to the university in perpetuity, or other words that indicate the donor's intent that the gift be permanently retained by the university (e.g., irrevocable). In addition, the donor must explicitly agree that these designated funds are established by the governing board to function like an endowment, but which may be totally expended at any time at the discretion of the governing board.

Any of the items listed in the decision tree below can be problematic in classifying an agreement as a contribution:

- Tangible or intangible deliverables or benefits being received by the donor/sponsor
- Conflicting donor restriction language in order to determine whether the funds should be expendable or endowed
- Conflicting donor language on whether a pledge is conditional (barrier or right of return) or unconditional (promise)

The characteristics of a sponsored project include:

- Specific scope of work or set of specific aims
- Financial accountability and/or reporting; the funds must be separately budgeted and accounted for
- Specific period of performance
- Deliverables, including a final technical report
- Disposition of property

8. If the DT determines the funds do not meet the characteristics of a gift, what will be my next steps for sponsored project award setup?

You should connect with the sponsored programs personnel within your unit (see [Roles & Responsibilities Matrix](#)), who can create and submit the appropriate Cayuse record for the sponsored project award setup. RFS (SPA) staff are also available to provide consultation on Fund 24/25 financial management nuances (ACCI staff are available to provide consultation on Funds used for contributions: 22, 41, 42, 43, 44, 45, 46). In some instances, OSP may request that SPA staff take the lead on setting up your sponsored award in FAME (via C2FI or direct setup in Fund 24/25 for extenuating circumstances).

As a reminder [NYU policy](#) provides further information regarding sponsored awards, which include grants, cooperative agreements and contracts, that bind the University to a set of specific terms and conditions and indicate a related reciprocal transfer of something of value to the sponsor. In general,

contracts contain a precisely stated sponsor-defined scope of work with the expectation of a definable work product or services on some set schedule as a condition of payment. Cooperative agreements have the same features as contracts, but include the active participation of the sponsor in the activities being undertaken. Grants, on the other hand, are generally faculty-initiated with broadly defined objectives and outcomes in an area of interest to the sponsor.

Sponsored projects include activities such as: applied research, basic research, development of prototypes (materials, devices, systems, methods), fellowship, scholarship, instruction, training, public service, etc.).

DAs and PIs should take great care to ensure the proper routing for funding that may not be clear on grant or gift. If unsure, DA's and PI's should discuss with SPA first, who will loop in OSP, OGA and ACCI as necessary. Establishing chartfields in Fund types such as 20 or Fund 10 or even incorrectly in Fund 22 can adversely impact the proper accounting of research dollars to the university and have an increased audit risk if requirements are not met due to a lack of proper oversight from central administration (OSP and RFS/SPA).

Note: if your sponsored award is from an industry/private company and there are terms/conditions that need to be negotiated, OSP will connect you with TOV to complete those negotiations.

9. Beyond audit and compliance risks, does miscoding research awards as gifts also have a negative impact on the research enterprise?

Yes. When research awards are not properly coded (via sponsored award intake and setup), this negatively impacts NYU's research rankings (prestige/reputation), which are measured from research expenditures.

In addition, this has a financial impact on NYU operating costs used to support research, as the NYU F&A rate is lowered when miscoding happens, resulting in NYU losing valuable F&A monies that could be potentially recovered from sponsors to offset operational costs and further support researchers. For more information, see the [F&A FAQ's](#).

Also, please bear in mind that miscoded/ incorrectly established projects create an undue burden to the Departmental Administrators, OSP and RFS/SPA since the establishment of a new project chartfield and the subsequent transfer of revenue and expenses that must accompany such an effort is a laborious and time consuming event. Proper setup and identification mitigates undue burden and effort/time spent on such an endeavor.

10. If I want to set up an informational session or knowledge sharing collab for my Fundraisers/DA's/FO's to better understand how to avoid situations where my sponsored award is miscoded as a gift, who can I contact?

Please contact the ACCI Team (endowmentaccounting@nyu.edu) or Breanne Gosselin (breanne.gosselin@nyu.edu).

For any questions related to [giving to NYU](#) or [fundraising](#), please refer to UDAR.

For any questions related to [research](#) or [sponsored programs](#), please refer to OSP.

11. Who can I contact if I have questions on the DT design for gift account (chartfield) setup and revenue recognition?

Please contact the ACCI Team (endowmentaccounting@nyu.edu) or Breanne Gosselin (breanne.gosselin@nyu.edu).

12 Who can provide clarification on specific agreement language (e.g., preferred software licenses) at time of negotiation?

For grants, OSP's Contracts Team and/or Technology Opportunity and Ventures (TOV) can advise on the appropriate agreement language acceptable to NYU.

For gifts, UDAR can advise on the appropriate agreement language acceptable to NYU.

Depending on the term/condition under consideration, the authorized negotiators above might need to seek clarification from other offices (e.g., IT providing information on preferred software licenses).

13. Who can I additionally reach out to after using the DT for a determination?

Please send an email to GiftOrGrant@nyu.edu. This alias will notify Breanne Gosselin (breanne.gosselin@nyu.edu), Mario Guevarra (mario.guevara@nyu.edu), Meidy Candia-Leyva (mc7410@nyu.edu) and Will Smith (wls9347@nyu.edu).

Examples

Exhibit A (retrospective): JPB Foundation sponsored award agreement was not routed properly (bypassing OAS/OGA) and set up incorrectly as a contribution. This agreement was processed as a pledge and processed in Advance as well as allocated to a Fund 45 permanently endowed fund. Remediation happened retrospectively at YE (using DT). Contribution setup was reversed. Proper routing to OSP and sponsored award setup completed. Instances like this result in disruption to university mission and extra use of university resources required to do re-work in order to correct the gift vs. grant determination and make updates to the allocations in Advance and FAME.

Language in the sponsored award agreement that resulted in this determination being a grant/sponsored project, includes:

- *"This Grant is being made in response to and under the conditions outlined in your grant proposal, GR-2021-2830 ("Grant Proposal")."*
- *"Should the grant goals, methods, or budget line items change in any material way, the Foundation must be immediately notified in writing with a detailed explanation of the reason for the change. Such requests will be reviewed and approved at The Foundation's discretion."*
- *"We expect that all funds will be expended by the end of the grant period. If in the event that there are any unexpended funds remaining, the Foundation may at its absolute discretion either allow the Grantee a no-cost extension of such funds or require that the Grantee return to the Foundation any grant funds that remain unspent at the end of the grant term."*
- *"Over the term of the Grant, the Grantee must report any significant changes in the nature or scope of the Project to the Foundation and seek prior written Foundation approval for: (1) changes to key personnel or infrastructure of the organization or the Project that might compromise the Grantee's ability to carry out the proposed activities;"*
- *"The Foundation may, at its expense, monitor and conduct an evaluation of operations under the Grant, which may include visits by representatives of the Foundation to observe the Grantee's Project procedures and operations and to discuss the Project with the Grantee's personnel."*
- *"Accounting and Audit: A systematic accounting record shall be kept by the Grantee of all expenditures from the Fund, and the substantiating documents such as bills, invoices, canceled*

checks and receipts shall be retained in the Grantee's files for a period of not less than four (4) years after expiration of the Grant term.

- *"Grantee will give reasonable consideration to any request by the Foundation for a nonexclusive, irrevocable, perpetual, worldwide, royalty-free license to reproduce, publish, copy or otherwise use and make available to third parties Grantee Materials, including data collected in connection with the Grant in any and all forms in which said data are fixed, as the Foundation deems advisable solely in furtherance of its charitable purposes, but only to the extent of Grantee's own rights in the Grantee Materials."*
- *"Termination of Grant:*
 - *a. The Foundation, at its sole option, and without regard to any commitments that the Grantee may have made to its employees or to third parties in connection with the Grant, may terminate the Grant if: (i) the Grantee fails to satisfy any term or condition of this Agreement and if, after receiving notice from the Foundation of such failure, the Grantee fails to satisfy such term or condition within thirty (30) days after receiving such notice; (ii) the Grantee ceases to be exempt from federal income tax as an organization described in section 501(c)(3) or the Grantee's status as not a private foundation under section 509(a) and not a Type III supporting organization under section 509(a)(3)(iii) is materially altered; or (iii) in the Foundation's sole judgment, the Grantee can no longer carry out the Project as described in the Grant Proposal, including, without limitation, by reason of changes in key personnel or infrastructure of the Grantee or the Project, or by reason of loss of Project funding from other sources.*
 - *b. Upon termination of the Grant, the Foundation shall have the option of approving an alternative application of the Grant funds, but the Foundation reserves the right to require the Grantee to return to the Foundation all unspent Grant funds."*

Exhibit B (prospective): Energy Innovation award agreement was routed properly, OAS/OGA determined this was not a contribution, upon using the DT. The award was not setup by ACCI as a gift. Issues were prevented prospectively without any re-work. Proper routing and grant award setup was completed by OSP.

Language in the sponsored award agreement that resulted in this determination being a grant/sponsored project award, includes:

- *"This letter serves to document recent updates to payment processes and confirm the grant terms.*
- *"The grant is intended to support the New York University...the period of April 2021 through March 2022."*
- *"As outlined in your November 2020 proposal, funded work will consist of..."*
- *"Energy Innovation requests a narrative and financial report on December 1, 2021 and a final financial report 30 days after the end of the grant period. The narrative report should specifically address the objectives and key results you articulated as part of the approval of this grant."*
- *"As referenced above, this grant should only be used for the purposes outlined in your approved proposal."*

Exhibit C (at the time when an agreement is routed for gift setup): Samples below are provided from NYU Fundraisers for smart practices and a positive approach of, "this is how contribution setups can be successfully completed effectively/efficiently". As part of the Blackbaud CRM implementation (Lynx Project), UDAR will provide concrete templates that are accessible to all NYU Fundraisers. ACCI is also working on a FY22 goal to conduct knowledge sharing initiatives and provide resources for departments for guidance at informational sessions, knowledge sharing collab's and via the ACCI team website.

[To be added: sample Fund 22 Expendable Gift Agreement]

[To be added: sample Perm Endowment Gift Agreement]