***Reviewing Sponsorships procedures as part of the regular Accounting Handbook Review cycle, and in response to FAQs.***

* ***Key updates include: clarification of sponsorship vs. donation. clarification of campus controller involvement in the review process, and clarification of role of Advancement in situations where sponsorships are treated as gifts.***

**Sponsorships for University-hosted Events** *rev draft 03.08.23*

**In Brief**

* Sponsorships occur when companies or individuals provide money, services, or other support to a CU event or activity without receiving substantial benefit from CU in return.
* When the promotional benefit received by the sponsor exceeds mere acknowledgment of payment, the sponsorship becomes advertising income to CU … and this may result in unrelated business income tax (UBIT).
* If a *CU organizational unit* is interested in sponsoring an *external* entity, they need to refer to the Administrative Policy Statement [Donations](https://www.cu.edu/ope/aps/4027).

**What is a Sponsorship?**

A **sponsorship** is corporate or individual support (e.g., payments, gifts-in-kind, services) that is provided to a CU activity, program, or event. In exchange for this support, the University provides benefits that may include acknowledgments and recognition to the sponsor.

* Sponsorships generally follow the Internal Revenue Service (IRS) guidelines for a *qualified sponsorship payment.* There is no arrangement or expectation that the sponsor will receive any substantial return benefit other than use/acknowledgment of the sponsor’s name or logo (or product lines) in connection with the CU activity, program, or event.
* Such use/acknowledgment does not include advertising the sponsor’s products or services – including messages containing qualitative or comparative language, price information, or other indications of savings or value, an endorsement, or an inducement to purchase, sell, or use such products or services.
* Sponsorship support may be accepted as either non-gift or gift revenue.
  + Sponsorship support is typically recognized as a gift if (1) the sponsor states that it is a gift, or (2) the sponsorship support is being received at a fundraising event where all revenue is handled as gifts.
  + If deposited as gift revenue, organizational units must comply with gift deposit procedures.
  + See below, *Accepting/Depositing Sponsorship Payments,* for additional information.

**Understanding UBIT (Unrelated Business Income Tax)**

When the University’s income-producing activities fall outside of our tax-exempt mission-related purposes (instruction, research, public service, and health care), they may be subject to a federal income tax known as UBIT, or Unrelated Business Income Tax.

In the case of sponsorships, if CU provides benefits in return for the sponsorship – such as sponsor advertising in CU publicity materials (e.g., text or language promoting the sponsor’s business) – this could potentially fall under the category of UBIT for the organizational unit receiving the sponsorship.

***As a result, all proposed sponsorships and related publicity materials must be reviewed and pre-approved by the appropriate campus controller’s office to identify if potential sponsorship benefits will incur UBIT … and therefore to determine whether to proceed with accepting the sponsorship.***

***Sponsorship benefits that may incur UBIT*** – and that might not be permissible to offer – include the following:

* Advertising message or other material that contains qualitative or comparative language, price information/other indications of savings, or value associated with a product or service, e.g., *Sponsor has the best selection of shoes in Colorado; Sponsor is the #1 brunch spot in the city.*
* An endorsement or inducement, and/or a call to action, to purchase, sell, or use the sponsor’s company, service, facility, or product, e.g., *Sponsor software preferred by CU students and faculty; Students - Don’t miss sponsor’s HUGE tent sale this weekend; Sponsor’s URL weblink to a product sales page; Sponsorship information in publications other than the event publicity materials (such as in a quarterly newsletter or periodical that is unrelated to the event).*

***Sponsorship benefits that do not incur UBIT*** – and that are permissible to offer – include the following:

* Sponsor’s logo, established slogan, brand, or trademark name.
* Sponsor’s location, telephone number, and/or website URL to general information homepage.
* Value-neutral descriptions of sponsor’s products or services.

**Accepting/Depositing Sponsorship Payments**

All proposed sponsorships and related publicity materials must be reviewed and pre-approved by the appropriate campus controller’s office. Sponsorship-related contracts or letters of agreement must be reviewed and signed by the campus controller.

Sponsorship payments may be accepted as non-gift revenue or as gift revenue.

***Processing Sponsorships as Non-Gift Revenue***

As a rule, sponsorships are considered to be a business or promotional expense, rather than a charitable donation, on the part of the company/individual offering the sponsorship to the University.

In return for their sponsorship, the company/individual receives the benefits accorded to them as listed on the sponsorship agreement, or as associated with the articulated support levels (e.g., platinum, gold, silver). The University does not issue a gift tax receipt for this type of payment since the sponsor is not offering the University a gift; rather, they are sponsoring the event and receiving no substantial benefit in return. For assistance in determining insubstantial or substantial return benefit for an event, contact the appropriate campus controller’s office.

When accepting non-gift revenue sponsorship and depositing the payment:

* The organizational unit should deposit the payment as non-gift revenue into a University SpeedType, using Account 325119-Miscellaneous Revenue - Sponsorships. Because the sponsorship does not constitute a gift, it should be deposited into an unrestricted fund (e.g., Fund 20, Fund 29).
* The organizational unit may send a thank-you letter to the sponsor. Since the thank-you letter is not a gift tax receipt, the following requirements must be observed:
  + Do not assign a value to the sponsorship or include language that could be misconstrued as a gift tax receipt.
  + Do not reference the University's 501(c)(3) status or tax identification number.
  + Do not use the word "donation.”

***Processing Sponsorships as Gift Revenue***

If the organizational unit is accepting sponsorship as gift revenue, it should deposit the payment into a CU Foundation gift fund (or a University Fund 34 SpeedType) whose purpose is consistent with that of the CU activity, program, or event being sponsored. Sponsorship payments to a Fund 34 SpeedType should follow regular campus procedures for depositing gift revenues, including using Account 240411-Revenues/Sponsorships.

* Sponsorship payments that do not have substantial return benefits can be considered a (100%) charitable donation and can be deposited to the CU Foundation.
* Sponsorship payments that have substantial return benefits should be reviewed by the appropriate campus controller’s office to determine both (1) UBIT issues, and (2) the fair market value (FMV) of goods/services provided by the University, so that an accurate gift tax receipt may be issued by the Central Advancement Accounting Office. (The organizational unit must document, in the Description Section of the Cash Receipt form, the FMV (or non-gift amount) of what the sponsor received relative to the sponsorship payment. This information is required for accurate issuance of gift tax receipts.)

**Special Considerations**

Additional restrictions and requirements apply to the following entities.

***University of Colorado Foundation (CU Foundation)***

The CU Foundation may accept sponsorship monies on behalf of the University. If the CU Foundation is accepting a sponsorship payment and issuing the gift tax receipt, it is the responsibility of campus Advancement and organizational unit staff to communicate to and coordinate with the CU Foundation, any gift/non-gift components of the sponsorship payment for proper gift tax receipt acknowledgement. Note that multiyear sponsorship agreements are more appropriately handled by the CU Foundation.

***Schools of Dental Medicine, Medicine, Skaggs School of Pharmacy and Pharmaceutical Sciences, College of Nursing, Colorado School of Public Health, Graduate School, and the Health Sciences Library at the Anschutz Medical Campus***

University organizational units at Anschutz Medical Campus must follow compliance rules and regulations that restrict industry partnerships. When considering entering into a sponsorship agreement, keep in mind that:

* The Anschutz Medical Campus has adopted more restrictive policies to govern and guide interactions with pharmaceutical and medical device companies. For specific information, refer to Procedures for Evaluating Conflicts of Interest and Commitment (eff. August 11, 2014), and the Office of Regulatory Compliance (303.724.1010).
* Industry support for Continuing Medical Education courses is governed by separate University and national guidelines. For information, contact the Office of Continuing Medical Education (303.724.3552).

***Athletics, University of Colorado Boulder and University of Colorado Colorado Springs - NCAA Compliance and Other Sponsorships***

University Athletic Departments have additional compliance rules and regulations that govern their operations. Please seek additional information from your campus Athletics Compliance Office. The sponsorship guidance contained in these procedures is intended to provide a reference solely for event sponsorships that fall under the University definition for a conference, official function, or fundraising event.

* In general, Learfield Sports Media/Buffalo Sports Properties administers all sponsorship agreements for the Athletic Department at the Boulder Campus. Questions related to athletic sponsorships on the Boulder Campus should be directed to the Office of Athletics Business Affairs.

**Questions**

Questions related to conference and official function sponsorships should be directed to the [appropriate campus controller](https://www.cu.edu/controller/campus-controllers-finance-offices), who will consult with the Associate Vice President & University Controller, as appropriate.

**Exceptions**

Unless approved by the Associate Vice President & University Controller, there are no exceptions to this procedural statement. Requests for approval of exceptions must be submitted through the campus controller's office.

**Feedback form**

Q&A webform, at bottom of webpage

**Related Resources**

Side bar with links to campus IFR (Industry & Foundation Relations) contacts, campus UBIT contacts