San Diego State University
A.S./Aztec Recreation Sport Club
Sponsorship Guideline

The University understands that student groups often solicit third parties to contribute cash or non-cash items to augment the cost of events, functions and general operations. Students must not engage in activities which would jeopardize existing business relationships with University sponsors or business partners. Therefore, all Cash or Non-Cash (in kind, product, etc.) sponsorships greater than $5,000 require review and approval from SDSU Business Affairs Vice-President or Assoc. Vice-President. To ensure there are no conflicts, sport club teams must adhere to the following sponsorship solicitation process:

1. Sports Clubs identify possible sponsors and generate a list (or if a sponsor reaches out to a Sports Club).
2. Submit list to the Sport Club Office to be forwarded to the A.S. Associate Executive Director (John Kolek) and A.S. Contracts & Risk Management Coordinator (Raven Tyson) for review and approval.
3. When the list has been reviewed and approved, sport club teams may send sponsorship letters requesting product or funding.
    a. The Sport Club Office will provide the appropriate Sponsorship Letter Template.
4. Once the sponsor responds and a deal is negotiated, the contract is completed and sent to the Contracts and Risk management Coordinator for review and obtaining appropriate signatures.

The process above is an SDSU requirement to ensure sponsors/donors who have asked to not be contacted any longer are not on the list(s) provided and/or there no conflicting partnerships (ex. Coke since we are a Pepsi campus, etc.).

<u>Prohibited Solicitations</u>

1.) Student groups will not engage in sponsorship solicitations that conflict with the University's exclusive sponsorships agreements or social responsibility policies.

SDSU exclusive agreements with:

Pepsi - has the right to be the exclusive supplier of beverages to the University. Includes, carbonated and non-carbonated, non-alcoholic drinks: colas and other flavored carbonated drinks, fruit juice, chilled coffee drinks, chilled tea products, sports drinks (Gatorade), energy drinks, and fluid replacements, bottled water (spring, mineral or purified), and disposable cups. Pepsi does not have a "healthy refreshment" beverage such as SoBe, Snapple, Arizona varieties or tomato juice. The University shall not permit a third party to sell, serve, promote, market, advertise, sponsor, or endorse Competitive Products of Pepsi. (Term: 05/13/2013)

Nike – Athletic Apparel for covered programs (varsity intercollegiate athletic programs).

2.) Students will not engage in sponsorship activities that are in direct conflict with the University or CSU's position on social responsibility. Examples are: alcohol and tobacco use. If a student has a potential sponsor and is unsure if a conflict exists, the student may direct questions to:

Christina Brown- Executive Director
Associated Students
christina.brown@sdsu.edu
619-594-6903

<u>Reporting Compliance</u>

Recipients of cash and non-cash sponsorships are responsible for complying with various reporting requirements including, but not limited to, Internal Revenue Code (federal), and Nonprofit Integrity Act of 2004 (state).

Corporate sponsorships for sport clubs are a valuable fundraising source, but all such sponsorships <u>must</u> be coordinated in advance with the Sports Club staff. Written proposals should be professional and well thought out before requesting funds from a potential sponsor. Soliciting and obtaining sponsorships can be one of the most difficult tasks facing an organization. Finding a corporation willing to give money or product, to help in the success of a club can often be a frustrating and time consuming endeavor. But once received, sponsorships are invaluable in helping clubs reach their goals. The following are guidelines for soliciting and maintain long-term relationships with sponsors.

Identify those companies most likely to sponsor you.

What other clubs have they sponsored?

Do you know someone in the company?
Are they interested in the college market?
Is someone in the company an alumnus?

Get the name, title, and address of the company contact.
Make sure the contact name is spelled correctly.
Make sure the title is correct.
Make sure the company name is correct.
Send an approach letter. Talk to the Sport Club Coordinator for examples.

Follow up with a phone call.
Give the contact a week or two to receive your letter.
If you receive the sponsorship go to 5.
If you don't receive the sponsorship, find out why.
If they don't sponsor your type of group, thank them for their time. If it is a matter of timing and budgeting, find out when the corporation should be contacted for the future.

After receiving the sponsorship, send a thank you letter. Make sure the club gives the sponsor everything that was promised them for their sponsorship. Take pictures and send the sponsor copies of anything with their name on it. Invite the sponsor or a representative to any special events you might have. Follow up the season with a year-end recap. Thank the sponsor once more, and ask for their sponsorship for the following year.

CORPORATE SPONSORSHIPS

Some corporate sponsorships can be treated as contributions as long as the payor (donor) receives no substantial return benefit other than the use of acknowledgement of the payor's (donor's) name or logo as part of sponsored event. The test to determine a substantial return benefit is to distinguish if the services provided by SDSU in return for a qualified sponsorship payment constitutes advertising or an acknowledgement.

Rules and Regulations

I. Qualified Sponsorship Payment

a. Definition

A *Qualified sponsorship payment* is any **payment** by a payor or business where there is no arrangement or expectation that the payor will receive any **substantial return benefit thereby qualifying as a contribution.** A **payment** can be money, transfer or property, or performance of services. However, only payment of money and property are treated as contributions.

b. **Substantial Return Benefit**

i. **Definition**

A Substantial return benefit is any **benefit** other than the ***use or acknowledgement,*** or certain ***disregarded benefits*** (goods or services) of insubstantial value.

ii. **Benefits** (considered a substantial return benefit)

Benefits provided to the payor or persons designated by the payor include:

1. Advertising
2. Exclusive provider arrangements
3. Goods, facilities, services or other privileges
4. Exclusive or nonexclusive rights to use SDSU's logos or trademarks

iii. **Use or Acknowledgement** *(**NOT** considered a substantial return benefit)*

Use of acknowledgement may include the following:

1. Name, logos (or product lines), or slogans that do not contain qualitative or comparative descriptions of the payor's products, services, facilities or company
2. Exclusive Sponsor arrangements
3. List of payor's locations, telephone numbers, or internet address
4. Value-neutral descriptions (displays or visuals) of product-line or services
5. Payor's brand name or trade name and product or service listings

Note: Mere display or distribution, whether for free or remuneration, of a payor's product by the payor or SDSU to the general public at the sponsored activity is not considered an inducement to purchase, sell or use the payor's product and will not affect the determination of whether a payment is a qualified sponsorship payment.

iv. **Advertising** *(considered a substantial return benefit)*

1. Definition

   Any message or other programming material which is broadcast or otherwise transmitted, published, displayed or distributed, and which promotes or markets any trade, business, service, facility or product.
2. Advertising includes:
   a. Messages containing qualitative or comparative language,
   b. Price information or other indications of savings or value,
   c. An endorsement, or an inducement to purchase, sell, or use any company, service, facility or product.

Note: A single message that contains both advertising and an acknowledgement is advertising. This section does not apply to activities conducted by a payor on its own. For example, if a payor purchases broadcast time from a television station to advertise its product during commercial breaks in a sponsored program, the exempt organization's activities are not thereby converted to advertising.

v. **Exclusivity Arrangement**

1. **Exclusive Sponsor** *(**NOT** considered a substantial return benefit)*
   An arrangement, in exchange for payment, that acknowledges the payor as the exclusive sponsor generally does not result in a substantial return benefit as long as no advertising or other substantial return benefit is provided to the payor.

2. **Exclusive Provider** (*considered a substantial return benefit)*
   An arrangement, in exchange for a payment, that limits the sale, distribution, availability, or use of competing products, services, or facilities in connection with an SDSU activity generally results in a substantial return benefit.
   a. If a payor receives both exclusive sponsorship and exclusive provider rights in exchange for making a payment, the fair market value of the exclusive provider arrangement and any other substantial return benefit is determined first.
   b. Level of Activity by SDSU: Certain contractual arrangements that stipulate a requisite level of activity by SDSU can affect whether the sponsorship payment is considered a gift, a royalty payment, or rental income. Check IRS rules regarding UBTI for clarification.

vi. **Contingent Payments** *(considered a substantial return benefit)*
A *qualified sponsorship payment* does not include any payment that is contingent, by contract or otherwise, upon:

1. level of **attendance** at one or more events,
2. **broadcast ratings**, or
3. other factors indicating the **degree of public exposure** to sponsored activity.

Note: The fact that a payment is contingent upon sponsored events or activities actually being conducted does not, by itself, cause the payment to fail to be a qualified sponsorship payment.

II. Allocation of Sponsorship Payments

If there is an arrangement of expectation that the payor will receive a substantial return benefit with respect to any payment, then only the portion, if any, of the payment that exceeds the ***fair market value*** of the substantial return benefit is a qualified sponsorship payment.

If SDSU does not establish that the payment exceeds the fair market value of any substantial return benefit, then no portion of the payment constitutes a qualified sponsorship payment.

a. Fair market value:
   The fair market value of any substantial return benefit provided as part of a sponsorship arrangement is the price at which the benefit would be provided ***between a willing recipient and a willing provider of the benefit***, neither being under any compulsion to enter into the arrangement and both having reasonable knowledge of relevant facts, and without regard to any other aspect of the sponsorship arrangement.
b. Valuation Date:
   The fair market value of the substantial return benefit is determined when the benefit is provided or on the date the parties enter into the sponsorship contract.

III. Examples

Example 1: SDSU organizes a walkathon at which it serves drinks and other refreshments provided free of charge by a X corporation. X corporation also provides prizes to be awarded to winners of the event. SDSU recognizes the assistance of X corporation by listing the corporations' name in promotional fliers, in newspaper advertisements of the event and on T-shirts worn by participants. SDSU changes the name of its event to include the name of the corporation.

Determination

SDSU's activities constitute **acknowledgement** of the sponsorship. The drinks, refreshments, and prizes provided by the corporation are a **qualified sponsorship payment.**

Example 2: SDSU organizes an exhibition and receives a large payment from X corporation to help fund the exhibition. SDSU recognizes X corporation's support by using the corporate name and established logo in materials publicizing the exhibition, which include banners, posters, brochures and public service announcements. SDSU also hosts a dinner for the corporation's executives. The fair market value of the dinner exceeds 2% of the total payment.

Determination
SDSU's use of the corporate name and logo in connection with the exhibition constitutes **acknowledgement** of the sponsorship. However, because the fair market value of the dinner exceeds 2% of the total payment, the dinner is a **substantial return benefit.** Only that portion of the payment, if any, that SDSU can demonstrate exceeds the fair market value of the dinner is a qualified sponsorship payment.

Example 3: SDSU coordinates a golf tournament to raise funds for scholarships. An auto manufacturer agrees to underwrite the expenses of the tournament. SDSU recognizes the auto manufacturer by including the manufacturer's name and established logo in the title of the tournament as well as on signs, scoreboards and other printed material. The auto manufacturer receives complimentary admission passes to the pre-tournament party and pro-am playing spots for the tournament that has a combined fair market value in excess of 2% of the total payment. Additionally, SDSU displays the latest models of the manufacturer's premier luxury cars at the tournament.

Determination
SDSU use of the manufacturer's name and logo and display of cars in the tournament area constitute **acknowledgement** of the sponsorship. However, the admission passes and pro-am playing spots are a **substantial return benefit.** Only that portion of the payment, if any, that SDSU can demonstrate exceeds the fair market value of the admission passes and pro-am playing spots it's a qualified sponsorship payment.

Example 4: SDSU conducts an annual college football bowl game and sells to commercial broadcasters the right to broadcast the bowl game on television and radio. A major corporation agrees to be the exclusive sponsor of the bowl game. The detailed contract between SDSU and the corporation provides that in exchange for a $1,000,000 payment, the name of the bowl game will include the name of the corporation. In addition, the contract provides that the corporation's name and established logo will appear on player's helmets and uniforms, on the scoreboard and stadium signs, on the playing field, on cups used to serve drinks at the game, and on all related printed material distributed in connection with the game. SDSU also agrees to give the corporation a block of game passes for its employees and to provide advertising in the bowl game program. The fair market value of the passes is $6,000, and the fair market value of the program advertising is $10,000. The agreement is contingent upon the game being broadcast on television and radio, but the amount of the payment is not contingent upon the number of people attending the game or television ratings. The contract provides that television cameras will focus on the corporation's name and logo on the field at certain intervals during the game.

Determination

SDSU's use of the corporation's name and logo in connection with the bowl game constitutes **acknowledgment** of the sponsorship. The **exclusive sponsorship arrangement** is not a substantial return benefit. Because the fair market value of the game passes and program advertising ($16,000) does not exceed 2% of the total payment (2% of $1,000,000 is $20,000), these benefits are disregarded and the entire payment is a qualified sponsorship payment, which is not income from an unrelated trade or business.

Example 5: A soft drink manufacturer enters into a binding, written contract with SDSU Athletics that provides for a large payment to be made to the athletics program in exchange for SDSU agreeing to name a tournament after the soft drink manufacturer. The contract also provides that SDSU allow the soft drink manufacturer to be the **exclusive provider** of all soft drink sales at all athletic events. The fair market value of the **exclusive provider** component of the contract exceeds 2% of the total payment.

Determination
SDSU's use of the manufacturer's name in the tournament constitutes acknowledgment of the sponsorship. However, the **exclusive provider arrangement** is a substantial return benefit. Only that portion of the payment, if any, that SDSU can demonstrate exceeds the fair market value of the exclusive provider arrangement is a qualified sponsorship payment.

Example 6: SDSU's symphony orchestra performs a series of concerts that is funded by a local music store. In exchange for $1,000 in funding, SDSU broadcasts the following message on a single radio spot: "This program has been brought to you by the Music Shop, located at 123 Main Street. For your music needs, give them a call today at 555-1234. SDSU is proud to have the Music Shop as a sponsor." The fair market value of the radio advertisement is $300.

Additionally, a program guide that contains notes on guest conductors and other information concerning the evening's program is distributed y SDSU at each concert. As a supporter of the event, the Music Shop also receives complimentary concert tickets, with a fair market value of $85, and is recognized in the program guide and on a poster in the lobby of the concert hall. The lobby poster states that, "The SDSU concert is sponsored by the Music Shop, located at 123 Main Street, telephone number 555-1234." The program guide contains the same information and also states, "Visit the Music Shop today for the finest selection of music CDs and cassette tapes." The fair market value of the advertisement in the program guide is $15.

Determination
SDSU's use of the Music Shop's name, address and telephone number in the lobby poster constitutes **acknowledgment** of the sponsorship. Because this single broadcast message contains both advertising and an acknowledgment, the enter message is

advertising. *(Unless SDSU establishes that the amount of the payment exceeds the fair market value of the advertising, none of the payment is a qualified sponsorship payment.)*

However, the combined fair market value of the advertisement in the program guide, complimentary tickets, and radio advertisements is $400 ($15 + $85 + $300), which exceeds 2% of the total payment (2% of $1,000 is $20). The fair market value of the advertising and complimentary tickets constitutes a substantial return benefit and only that portion of the payment that exceeds the fair market value of the substantial return benefit is a qualifies sponsorship payment ($600).

Example 7: SDSU maintains a Web site containing pertinent information for donors and alumni and its schedule of events. The X Company makes a payment to SDSU to fund an upcoming event, and SDSU posts a list of its sponsors on its Web site, including the X Company's name and Internet address. SDSU's Web site does not promote the X Company or advertise its merchandise or services. The X Company internet address appears as a hyperlink from SDSU's Web site to X Company's Web site.

Determination
SDSU's posting of the X Company name and Internet address on its Web site constitutes **acknowledgment** of the sponsorship. The entire payment is a qualified sponsorship payment.