

# Texas Tech University System

## Regulation 04.02

### Philanthropic Events

Approved 12/1/2019

Next Scheduled Review: December 2024

#### 1. Purpose

- a. This System Regulation provides a framework for the appropriate administration of philanthropic events to ensure that Components within the System are protected from unintended risks and potential liabilities.

#### 2. General

- a. Successful philanthropic events are an integral part of the fundraising efforts of component institutions of the Texas Tech University System (TTUS). It is the System's mission to support each institution in their attainment of their individual missions. This System Regulation ensures compliance with Internal Revenue Service (IRS) regulations, Texas Tech Foundation, Inc. (TTFI) policies, TTUS Regents Rules, and other federal and state policies surrounding philanthropic events.

#### 3. Definitions

- a. The definitions outlined in this System Regulation 04.01 apply, in addition to the definitions outlined below.
- b. *Quid Pro Quo Contributions.* Payment(s) made partly as a contribution and partly in consideration for goods or services provided to the donor by the donee organization.
- c. *Premium.* Fair market value of the benefit(s) received by a donor in a quid pro quo contribution.
- d. *Philanthropic Event or Event.* An event held for the purpose of raising charitable funds for a specified purpose. Attendance fees for philanthropic events often include quid pro quo contributions, and sponsorships are often considered for these events. Examples may include but are not limited to, golf tournaments, concerts, guest speakers, banquets, receptions, walkathons, performances, etc.
- e. *Non-Philanthropic Event.* When all payments received for event are less than or are equal to the premium amount. Examples may include but are not limited to conferences, lectures or gala events where fair market value of benefit exceeds ticket price.
- f. *Charitable Contribution Amount.* Total payment from donor to attend and/or sponsor event, less any associated premium value.

- g. *Sponsorship*. Charitable Payment by a person/organization where there is no arrangement or expectation of any substantial return benefit other than nominal recognition that does NOT constitute advertising. The IRS defines advertising in this instance as competitive pricing or product information displayed because of the donation. If the recognition fits this definition of advertising, the sponsorship is an exchange transaction, NOT a gift. Recognition may include an acknowledgment, display of the person/organization's name and/or logo. However, "recognition" should not contain any inducement-to-act within the acknowledgment /display/material, so it does not constitute advertising.
- h. *Bifurcation*. When a donor splits his/her contribution for an event between multiple funding sources. An example may include a donor paying the charitable contribution portion with funds from his/her donor-advised fund account and the premium portion with a different source, such as personal check or cash.

#### 4. Establishment of Institutional Operating Policies ("OPs")

- a. Each Component will be responsible for maintaining OPs related to philanthropic events. These policies are subject to, and should comply with, the guidelines and policies established under Regents' Rules and System Regulations, as well as state and federal law. Policies should be drafted in cooperation and coordination with Institutional Advancement and the System Office of the Vice Chancellor and Chief Financial Officer ("VCCFO").

#### 5. Approval

- a. Approval for events is required in advance of the event date. Requests for approval require completion of the forms outlined below which can be accessed on the IA Confluence website: <http://ia.texasastech.edu>
- b. All forms should be submitted to TTUS IA Financial Services (TTUS IAFS) at least 8 weeks prior to the event date for which approval is being requested.
  - i. Quid Pro Quo & Event Form.
  - ii. Event Preliminary Budget Form.
    - 1. Supporting materials such as solicitations, invitations, brochures, programs, and mailers must be submitted for review with the above forms.
      - a. In accordance with IRS publication 1771 "invitations, online notifications, reply cards, tickets, letters, and other printed materials produced for any fundraising event should clearly state the fair market value of the benefit of goods and services to the donor".
      - b. All promotional materials should convey to the potential attendees the purpose/goal of the net proceeds (e.g. Net proceeds will go towards the Texas Tech Scholarship Endowment).
    - 2. TTUS will approve preliminary budget and supplemental materials to determine whether the event is philanthropic in nature and is appropriate for routing through TTFI.

- a. During the approval process, TTUS IAFS and IA Legal will determine whether any sales tax will be payable at the conclusion of the Event and inform the designated event contact of such a determination.
- b. If an event is considered non-charitable, TTUS IAFS will inform the event contact and forward the request on to the Components' Accounting Department to be administered and accounted for under applicable policies outside the scope of fundraising.
- iii. Individuals, departments, and registered student organizations desiring to host a Philanthropic Event may be required to provide evidence of appropriate liability insurance in accordance with recommendations from the TTUS Office of Risk Management, TTU Procurement Services, other university departments, or others, as necessary, prior to approval from TTUS IAFS.

#### 6. Fund Establishment

- a. Once an event has been approved, TTUS IAFS will establish/designate a unique fund where all applicable revenues and expenses must be accounted for.
- b. Payments should not be accepted until all required forms are approved and a unique fund for the Event has been established/designated through TTUS IAFS.
- c. TTUS IAFS will administer deposits of Event revenue into the appropriate fund.
- d. Both the premium and charitable contribution amounts will be credited to the designated Event fund.
- e. Separate fund class. The fund class designated for TTU events is 84B. Other Components should consider a new fund class if there is an increase in philanthropic events.

#### 7. Collection of Event Payments

- a. The unit hosting the Event will be responsible for ensuring compliance with TTUS regulations and institutional operating policies regarding mailed, wired or on-site collections of cash or credit card payments. This includes all deposits, petty cash, or credit card transaction procedures, and sales tax compliance.
- b. Neither the Give2Tech online giving website, or the crowdfunding platform, will be used to collect event payments.
- c. Check payments should be made payable to "Texas Tech Foundation, Inc." and identify the name of the Event in the memorandum or in an accompanying letter.
- d. TTUS IAFS will issue gift receipts to donors for any payments equal to the charitable contribution amount.
- e. Usage and handling of payment card information must abide by all PCI (Payment Card Industry) and local standards. Business offices for each Component should be consulted on compliance with those standards.
- f. Bifurcation of payments is not allowed.

- g. If the unit hosting the Event plans to use an external, third party vendor for registration and/or payment processing, IA Legal approval is required prior to signing any such contract or agreement.
- h. If an Event does not successfully result in bringing in enough revenues to offset the associated expenses of hosting the Event, any deficits will be allocated to the designated fund provided on the Quid Pro Quo & Event Form. A report of all events with deficits will also be provided to each component IA office and utilized on an annual basis to prepare the TTFI Form 990.

#### 8. Event Posting

- a. IA will post all approved Events on the master IA calendar. Event coordinators should consult the master calendar during the event planning stage prior to finalizing an event date to avoid any conflicts with other events taking place across the System. Coordination of event dates will be the sole responsibility of the hosting unit; IA will not be responsible for alerting a requesting department of the potential for any conflicts with other events.

#### 9. Premiums

- a. The premium of each quid pro quo contribution will be substantiated by the unit hosting the event. Insufficient substantiation will result in a non-charitable payment.
- b. Per IRS rules and regulations, premium values should still be evaluated and established even if the associated expenses of an Event are donated or underwritten by a third party.
- c. IRS regulations require that a written record be kept on file of how the fair market value of any premium designation was determined.
- d. Any premium designations must be relayed to the donor and deducted from the total value of the donation prior to tax receipting.
- e. If/when premiums become subject to sales tax, this amount will be netted from any proceeds received by the hosting unit.

#### 10. Sponsorships

- a. Sponsorships will be reviewed and may be charitable, to the extent allowed by the IRS. It is crucial that any sponsorship offerings be evaluated in advance of any form of gift solicitation either in person or via the distribution of any event related materials due to the vast amount of IRS requirements surrounding sponsorships.
- b. Sponsorship recognition that constitutes advertising will not be considered charitable and will be forwarded to the Tax Office to review for any unrelated business income tax (UBIT) obligations. Sponsorship recognition in the form of a simple name and/or logo placement is generally not considered advertising.
- c. Internal departments are discouraged from soliciting other areas within TTUS for ticket/table sales.

#### 11. Prohibited or Restricted Event Activities

- a. The following event activities are either prohibited or have restrictions designated under state law.
- b. Raffles are prohibited.
- c. Events with the sale and/or service of alcohol will follow the component's operating policy referencing "Official Functions, Business Meetings, and Entertainment". This policy outlines requirements pertaining to vendor/server licenses and certifications with TABC in addition to liquor liability insurance.
- d. Auctions are permitted with the following restrictions:
  - i. Auction Items
    - 1. The item being auctioned must be considered a gift in accordance with IRS guidelines. This excludes non-deductible items or those recognized as either a service or a partial-interest item.
    - 2. Alcohol, Firearms and other weapons cannot be auctioned.
    - 3. Hosting unit should maintain an inventory of auction items, fair market values of each item, and the source of these items (i.e. auction item given by a donor, item purchased by the department, etc...). The fair market value of auction items must be displayed to potential bidders at time of event or prior to auction. Otherwise, the highest bid is considered the fair market value of the item received.
  - ii. Hosting unit is responsible for completing Gift-in-Kind forms for any donor needing gift credit and/or a gift receipt for item(s) donated to the auction.
    - 1. Gifts receipts for gifts-in-kind made by donors to the auction may only be provided to donors at the conclusion of an auction and upon confirmation that the item has been sold
    - 2. Auction items that do not sell should be returned to the original donor.
    - 3. If the donated item has an estimated worth of \$5,000 or more, donors should be advised of their possible requirement to file IRS Form 8283 with their itemized tax return. (NOTE: If a donor submits a Form 8283 for a Gift-in-Kind for an event, please refer them to TTUS IAFS)
    - 4. Gift receipts for items purchased at auction shall identify the fair market value of the item purchased and any additional amount paid in excess of the fair market value.
- e. Texas Sales and Use Tax is due on all items purchased at auction, unless...
  - i. The item was entirely manufactured by the tax exempt organization, or...
  - ii. The item was donated to the exempt organization, and the item is NOT purchased at auction by the person(s) who donated the same said item. The appropriate sales tax rate will be calculated on the fair market value of all auctioned items (less

aforementioned exempted items) and subsequently deducted from the auction's proceeds.

## 12. Reporting Requirements

- a. TTUS IAFS will complete a post event review sixty to ninety days after an event has terminated. This post-event process will include the following items:
- b. Review and close-out of event funds including assisting with transfers of net proceeds to intended purpose.
- c. Compiling information required by the IRS for completion of the TTFI Form 990.
- d. Annual report of Philanthropic Events will be provided to each component institution IA Vice President, the VCCFO and the Component CFO.

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