

**Texas Tech University System  
System Regulation 04.02**

**Philanthropic Events, Sponsorships for Events & Qualified Sponsorships**

Approved: September 15, 2023

Next scheduled review: September 15, 2026

**1. Purpose.**

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

**2. General.**

- a. Successful philanthropic events are considered an integral part of the fundraising efforts of component institutions of the Texas Tech University System (the “System”). 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”) or other affiliated entity policies, System *Regents’ Rules*, and other Federal and state policies surrounding philanthropic events.
- b. Sponsorships of events or other campus initiatives are an increasingly important aspect of fundraising and financial support; the uniqueness of sponsorships require individual review of each situation to ensure compliance with IRS rules and regulations and that funds are appropriately accounted for by TTFI or other affiliated entity, or, if appropriate, the receiving Component.
- c. The approval processes outlined in this System Regulation are specifically tailored and applicable to philanthropic events, sponsorships for events with a philanthropic component and qualified sponsorships going through TTFI; therefore, the approvals, process and forms outlined herein may not apply to every event and sponsorship. Provided, however, that the equivalent definitions, best practices and restrictions contained herein should be adopted and applied regardless of the receipting entity. Sponsorships with no charitable or philanthropic component should be governed by each Component’s internal policies and procedures, as established.

**3. Definitions.**

- a. The definitions outlined under System Regulation 04.01 apply, in addition to the definitions outlined below.
- b. ***Premium.*** Fair market value of the benefit(s) received by a donor as part of a sponsorship or *quid pro quo contribution*.
- c. ***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.

- d. ***Sponsorship.*** A sponsorship for an event or initiative constitutes a gift minus any tangible quid pro quo benefit(s), such as dinner tickets, received by a donor in exchange. Also known as a ***quid pro quo contribution.***
- e. ***Qualified Sponsorship Payment.*** Defined by IRS regulations as any payment by any person engaged in a trade or business with respect to which there is no arrangement or expectation that the person will receive any substantial return benefit. Payment means the payment of money, transfer of property, or the performance of services.
- f. ***Substantial Return Benefit.*** Any benefit other than an acknowledgement or disregarded benefits. Examples may include, but are not limited to, advertising, exclusive provider arrangements, goods, facilities, services or other privileges.
- g. ***Charitable Contribution Amount.*** Total payment from a donor(s) to attend and/or sponsor event, less any associated premium value.
- h. ***Non-Philanthropic Event.*** When all payments received for an event are less than or equal to the premium amount. Examples may include, but are not limited to, conferences, lectures or gala events where the fair market value of benefits exceeds the ticket price.
- i. ***Bifurcation.*** When a donor splits his or her contribution for an event between multiple funding sources. Limitations on bifurcations may exist depending upon the funding source and purpose of the contribution.
- j. ***Hosting Unit.*** The term, “Hosting Unit,” as utilized herein shall refer to the Component University, College, Department or other group arranging the philanthropic event.

#### 4. **Establishment of Institutional Operating Policies (“OPs”).**

- a. Each Component will be responsible for maintaining OPs related to philanthropic events and sponsorships of events. These policies are subject to, and should comply with, the guidelines and policies established under *Regents’ Rules* and System Regulations, TTFI policies and procedures, 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. **Approvals.**

- a. Approval for philanthropic events and sponsorships of events routing through TTFI are required prior to the event date or to proposing the sponsorship(s) to interested donors. Requests for approval of philanthropic events or related sponsorship solicitations require completion of the forms outlined below, which may be accessed on the IA Confluence website at <http://ia.texastech.edu> or may be requested from TTUS IA Financial Services or TTUS IA Legal.
- b. All forms should be submitted to TTUS IA Financial Services (“TTUS IAFS”) at least eight (8) weeks prior to the event date for which approval is being requested, to the extent reasonably possible. Due to the complex nature of philanthropic events and related sponsorships, submitting forms too close to the event date may cause unwanted delay or difficulty in processing payments.
  - i. Quid Pro Quo & Event Form.

1. A Quid Pro Quo & Event Form should be submitted for all philanthropic events or philanthropic sponsorships regardless of whether the sponsorship solicitation is attached to a corresponding event.
2. Once the premium has been established for a sponsorship solicitation for the event, the hosting unit (and any related committees) cannot make changes to the benefits the donor / sponsor should receive.
3. Additionally, the sponsorship solicitation for the event should avoid substantial changes between the approval date & the date of the event. Substantial changes may include, but are not limited to the following: addition or removal of an auction, changes in marketing or advertising offerings, altering the items that are in a goodie/grab/swag bag for attendees—to the extent such changes significantly alter the value(s) previously identified, change in event venue and/or location, changes in food and/or beverage menu and changes in activities at the event. Any requests for changes to the event after formal approval is received should be discussed with IAFS and IA Legal to ensure that receipting is unaffected in a substantial manner.

**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 General Scholarship Fund).
2. TTUS will approve preliminary budget and supplemental materials to determine whether the event is philanthropic in nature and 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 and the Component’s Accounting Department 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 Component’s Accounting Department to be administered and accounted for under applicable policies outside the scope of fundraising.
3. 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 many be 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. The same event fund can be used for annual events (i.e. the same event but in different fiscal years).
- b. If a Hosting Unit submits multiple events throughout the fiscal year, separate funds should be set up for each event.
- c. Payments should not be accepted for any event or sponsorship until all required forms are approved and a unique fund has been established/designated through TTUS IAFS.
- d. TTUS IAFS will administer deposits of event or qualified sponsorship revenue into the appropriate fund.
- e. Both the premium and charitable contribution amounts will be credited to the designated fund.
- f. In order to comply with IRS regulations and properly complete the annual Form 990 for TTFI or other Affiliated Entity, Components should establish a separate fund class for philanthropic events or sponsorships directly related to a philanthropic event, if feasible.

**7. Collection of Event or Qualified Sponsorship Payments.**

**a. Events**

- i. The Hosting Unit 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 deposits, petty cash, or credit card transaction procedures and sales tax compliance.
- ii. Neither the standard online giving website or equivalent thereof, or the TTUS IA crowdfunding platform, will be used to collect event payments. A separate Event online module should be established prior to the Event as a means of accepting related event payments. The Hosting Unit should be mindful of the length of time it may take to establish the requisite module to support the Event and support Event forms in a timely manner.
- iii. Check payments should be made payable to the "Texas Tech Foundation, Inc.," or respective affiliated entity, and identify the name of the Event or Sponsorship opportunity in the memorandum or in an accompanying written correspondence from the donor.
- iv. TTUS IAFS will issue gift receipts to donors for any payments equal to the charitable contribution amount, less the value of any benefit(s) received by the donor in exchange for the charitable contribution.
- v. Usage and handling of payment card information must comply with all PCI (Payment Card Industry) and local standards. Business offices for each Component must be consulted on compliance with those standards prior to the Event.

- vi. Bifurcation of payments for events is not allowed.
- vii. If the Hosting Unit intends to use an external, third-party vendor for registration and/or payment processing and/or auctions approval from IA Legal and/or the Component's procurement services & IT security offices is required prior to signing any such contract or agreement, including click-through agreements.
- viii. If an Event does not successfully result in bringing in enough revenue 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 be provided to each component IA office and utilized on an annual basis to prepare the TTFI Form 990.

## 8. Event Scheduling.

- a. The Hosting Unit should consult the Component(s)' and TTFI's event calendar(s) during the event planning stage prior to finalizing an event date to avoid, to the best extent possible, or otherwise identify any conflicts with other events taking place across the hosting Component or relative to TTFI Board of Directors. Coordination of event dates will be the sole responsibility of the Hosting Unit; TTUS IA will not be responsible for alerting the Hosting Unit of the potential for any conflicts with other events.

## 9. Premiums.

- a. Per IRS rules and requirements, the premium of each quid pro quo contribution—whether for an Event or Sponsorship—must be substantiated. The Hosting Unit should provide TTFI, IAFS and IA Legal with sufficient documentation substantiating the value of any goods and/or services received by a proposed sponsor. Insufficient substantiation may result in designation of the entire payment as non-charitable.
- 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 written acknowledgment of the contribution.
- e. If/when premiums become subject to sales tax, this amount will be netted from any proceeds received by the Hosting Unit.

## 10. Distinguishing between Qualified Sponsorships, Philanthropic Events, Advertising and Non-Philanthropic Events.

- a. **Key Distinguishing Characteristics.** The organizer(s) of sponsorships and philanthropic events must distinguish between advertising and acknowledgement for gift reporting purposes.
  - i. ***Use and Acknowledgement.*** Generally, a substantial return benefit does NOT include the use or acknowledgement of the name or logo of the donor's trade or

business. Use and acknowledgement may include: exclusive sponsorship arrangements; logos and slogans that do not contain qualitative or comparative descriptions of the donor's products, services, facilities or company; a list of the donor's locations, telephone numbers or Internet address(s); value-neutral descriptions including displays or visual depictions of the donor's product line or services; or the donor's brand or trade names and product or service listings. Mere display of the donor's product by the donor or the organization to the general public at the sponsored event is not considered an inducement to purchase the product and, therefore, will not affect the determination of whether a payment is a qualified sponsorship payment.

- ii. **Advertising.** Advertising constitutes a benefit received and is not a gift for sponsorship or event purposes. **"Advertising"** is any message or material which is broadcast or transmitted, published, displayed or distributed, that promotes or markets any trade or business, service, facility, or product. It will include language that is qualitative or comparative, price information, endorsement language, or an inducement to use, purchase or sell the company, service, facility or product. Any message that contains both an acknowledgment and advertising will be considered fully advertising and the entire payment will be considered *for benefit*.

## 11. Sponsorships for Events and Qualified Sponsorships.

- a. Qualified sponsorship solicitations must be evaluated in advance prior to any form of gift solicitation, either in person or via the distribution of any event-related materials due to the vast amount of IRS policies relating to sponsorships.
- b. Sponsorship recognition that constitutes advertising shall not be considered charitable and shall be forwarded to the Tax Office to review for any unrelated business income tax ("UBIT") obligations. Any UBIT obligations shall be satisfied by the department soliciting the sponsorship.
- c. Internal departments are discouraged from soliciting other areas within TTUS for ticket/table sales or other sponsorship levels due to accounting restrictions.
- d. If the Hosting Unit, in coordination with IA Financial Services and IA Legal, concludes that the sponsorship meets the necessary qualifications of a Qualified Sponsorship Payment, then the sponsorship may be routed through TTUS IA and the Texas Tech Foundation, Inc. or other Affiliated Entity.
- e. Sponsorship for event solicitation documents should include the details and breakdown of what portion of the sponsorship will be considered a gift and what portion shall be considered revenue for a benefit received. Additionally, the following language must be included on all sponsorship solicitations in clear and conspicuous location:

"The amount of your sponsorship contribution considered deductible for federal income tax purposes is limited to the excess of the payment made by you over the value of the goods or services provided by the [Texas Tech University System or Component]."

"The value of the [include benefit description here] is [\$XX.XX]. The [Texas Tech Foundation, Inc. or other Affiliated Entity] will provide a gift acknowledgement to you for your payment amount less the value of the benefit. You should always consult a tax professional for advice on what you may include as a tax deduction for IRS purposes; neither

this statement nor any gift acknowledgement provided by TTFI or an Affiliated Entity thereof should be construed as tax advice.”

**12. Prohibited or Restricted Event Activities.** The following event activities are either prohibited or have restrictions designated by the laws of the State of Texas.

- a. Raffles are prohibited.
- b. Events with the sale and/or services of alcohol should follow the Component’s applicable operating policies 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.
- c. Auctions are permitted with the following restrictions:
  - i. Auction Items
    1. The item being auctioned must be considered a gift in accordance with applicable IRS guidelines. This excludes non-deductible items or those recognized as either a service or a partial-interest gift.
    2. Alcohol, firearms and/or other weapons cannot be accepted or otherwise auctioned.
    3. The Hosting Unit should maintain an inventory of auction items, the fair market value of each item, and the source of these items (i.e., items given by a donor, items purchased by the department, etc.). The fair market value of auction items must be displayed to potential bidders at the time of the Event or prior to the auction. Otherwise, the highest bid will be considered the fair market value for the item received.
  - ii. The Hosting Unit is responsible for completing Gift-in-Kind forms for any donor requesting gift credit and/or a gift receipt for item(s) donated to the auction.
    1. Gift 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 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 \$5,000.00 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.
      - a. Any Form 8283 submitted to TTUS IAFS for signature should have the appraiser information completed by the donor and signed by the referenced qualified appraiser prior to any request for signature by the VCIA or TTFI CEO.

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.
- d. 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 said item. Appropriate sales tax rate will be calculated on the fair market value of all auctioned items (less the aforementioned exempted items) and subsequently deducted from the auction's proceeds.

### **13. Cancellation of Event**

- a. In the event a philanthropic or other event is cancelled, the Hosting Unit should work with TTUS IAFS and the Component Advancement Office to notify donors & sponsors of the cancellation.
- b. A good faith effort should be made to convert each contribution made to the event to a donation with no premium attached. The Hosting Unit should work directly with each donor or sponsor for such conversions; however, the opportunity to roll over the contribution or sponsorship to a different event should not be offered or agreed to by the Hosting Unit.
  - i. In lieu of a refund, donations may be moved to any eligible gift fund within Hosting Unit or otherwise for the benefit of TTU, TTUHSC, TTUHSC EP, or TTUS.
    1. The Hosting Unit will provide TTUS IAFS with a list of all donations and the updated fund/allocation. TTUS IAFS will submit the correcting paperwork to update the donor's record in the alumni database and will move funds in Banner.
    2. It is the responsibility of the Hosting Unit to notify TTUS IAFS which pledge a donor's contribution should be applied to in the event the donor chooses to convert the contribution to a charitable pledge payment.
  - ii. Should the donor or sponsor choose not to convert their contribution, they may elect to receive a refund.
    1. The Hosting Unit will supply TTUS IAFS a list of all payments needing to be refunded. TTUS IAFS will submit the correcting paperwork to update the donor's record in the TTFI database and will also initiate the refund process.
    2. Refunds will occur in the same manner of original payment (i.e. credit card payments will be refunded to the original credit card, payments made via check will be refunded via check).
- c. The Hosting Unit will remain responsible for any expenses that have been incurred prior to event cancellation or otherwise related to the Event. Expenses will stay in the event fund, and the Hosting Unit must identify a Banner Fund to cover the deficit.

### **14. 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:
  - i.** Review and close-out of event funds, including assisting with transfers of net proceeds to the intended purpose; and
  - ii.** Compiling information required by the IRS for completion of the annual TTFI Form 990.
  
- b.** Annual report of Philanthropic Events, which will be provided to each Component IA Vice President, the VCCFO and the Component CFO.

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