NC AWWA-WEA
POLICIES AND PROCEDURES
SPONSORSHIP POLICY

Date: September 16, 2010
Approved By: Board of Trustees
Policy Title: NC AWWA-WEA SPONSORSHIP POLICY
Number:
Revisions: September 18, 2014; June 16, 2017

PURPOSE

The Board of Trustees intends this policy to establish guidelines for the solicitation of sponsorships from corporate members and for any external parties or agencies, for any activities by NC AWWA-WEA or any of its Committees. This policy is intended to ensure that any solicitation for donation or sponsorship must be consistent with this policy and must be approved by the Board of Trustees as part of the annual budget process of the association.

It is the intent of this policy to:

1. Optimize value for sponsors and generation of revenue for all NC AWWA-WEA activities.
2. Utilize a single, coordinated, association-wide annual marketing effort.
3. Protect the donor base from repeated solicitation for support.
4. Recognize the importance of the corporate member segment and their contributions to the association.
5. Gather data from all Committees regarding their interest in seeking sponsorship revenue through the annual work plan submittal process.
6. Gather data from sponsors regarding their satisfaction with the program.
7. Utilize data to allow the evaluation and refinement of the sponsorship program on an annual basis.

This sponsorship policy is not intended to address solicitation of support for the Endowment Fund.
PROCEDURE

1. Annually, Committee Chairs shall include in their Work Plans, any sponsorship or donation campaign proposed to generate revenue for Committee activities. All solicitation by Committees is subject to Board approval.

2. "To avoid anti-trust violations, sponsorship opportunities and the opening date of sponsorship registration shall be advertised prominently and publicly on the NC AWWA-WEA web site, and registration shall be structured so that all opportunities, particularly those with limited availability, are offered to everyone on a first-come, first-served basis."

3. Following approval of the Sponsorship Program for the next fiscal year, the Sponsorship Committee shall communicate the final adopted program to all committees responsible for organizing sponsored events.

4. Annually, donors and sponsors shall be asked to provide information regarding their satisfaction with the association’s sponsorship program.

5. Information from Committees and donors shall be used to refine a single, coordinated, association-wide annual marketing effort for the next fiscal year.

6. To ensure that the corporate donor base is protected from excessive requests for support, no individual or committee may solicit for funds and all fundraising shall take place through the single, coordinated, association-wide marketing process.

7. The association staff shall maintain a database of all corporate sponsors and donors, and shall ensure that all association recognition responsibilities are fulfilled.

8. Contacts with sponsors shall be limited to those designated by the Board or its Agent.

9. IRS regulation has established criteria for determining whether sponsor income is subject to Unrelated Business Income Tax (UBIT) or may be tax exempt as sponsorship income. If substantial benefit is returned to any sponsor (for example, complimentary registration at a conference or event, promotion of a sponsor’s company or product beyond simple acknowledgment of a contributed amount) then the amount equivalent to the cost of the return benefit should be reflected as advertising income, and is not sponsor income. In establishing the annual sponsorship offerings, and in determining whether revenue proposed is sponsorship revenue or advertising revenue, the Sponsorship Committee shall review the Attached information summarized from “Association Law Handbook” by Jerald A. Jacobs.

10. In the event of unforeseen or special need, requests for exceptions to this policy shall be submitted to the Executive Director for Board review and approval.
11. Board grants Executive Director authority to make sponsorship exceptions/decisions for committee events with technical content (i.e. lunch sponsors for committee meetings with technical content). Sponsorships shall not exceed $250 and sponsor recognition will be limited to the sponsored event.
ATTACHMENT TO SPONSORSHIP POLICY
(Summary of information from “Association Law Handbook” by Jerald A. Jacobs, ASAE & The Center for Association Leadership; 2007, American Society of Association Executives.)

- In 1997 Congress enacted legislation regarding sponsorship income to tax exempt organizations, resulting in statutory provision, Section 513 (i) of the Internal Revenue Code (IRC) and in 2002, the Internal Revenue Service (IRS) issued final regulations.

- IRC Section 513(i)(2) 503(i) establishes the “substantial benefits” test as the basis for determining taxability of the revenue to the exempt organization recipient. This test looks at what the corporate sponsor received in connection with the sponsorship.

- IRS regulations provide “safe harbor” from taxation for exempt organizations receiving corporate sponsorship payments, which, IF MET, allow the exempt organization to avoid UBIT on the sponsorship income. Definitions for safe harbor sponsorship are as follows:
  - “Qualified sponsorship payments” – are “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.”
  - “Substantial return benefit” – any benefit that is received by the sponsor, other than “(1) Use or acknowledgement of the sponsor’s name and logo in connection with exempt organization’s activities, or (2) Goods or services of insubstantial value.”

- IRS guidelines permit:
  - Display of the corporate sponsor’s name, logo or slogan to establish sponsor’s identity to the organization’s members.
  - Display of the corporate sponsor’s products or services at a sponsored event – including the sponsor’s name in the title of the event.
  - Listing of the corporate sponsor’s location, telephone number and internet address.

- IRS guidelines regarding UBIT exempt sponsorship prohibit:
  - Qualitative or comparative statements or endorsements of a sponsor’s product or services – no praise, recommendation, endorsement or exhortation about what the sponsor offers can be made or given by the exempt organization.
  - “Substantial return benefit” to the corporate sponsor in return for the sponsorship payment. This is a quantitative test. Good or services received by the sponsor shall not have a fair market value greater than 2 percent of the value of the sponsor’s
payment. This includes tickets, passes, meals, awards, trophies, travel and complimentary registration to events that the sponsor is sponsoring.

- Received items given to sponsors are to be valued as of the time of the sponsorship agreement, and the exempt organization must make a reasonable and good faith effort to determine the fair market value of any goods or services offered to the sponsor.

- Exempt organizations may list sponsors on their own web sites, or provide a link to a list of sponsors. If this is the extent of the web site, the sponsor income remains exempt from UBIT. If, however, the exempt organization’s web site promotes or endorses sponsors or their products or services or provides a link to a promotional web site, the revenue is considered advertising revenue to the exempt organization and it is subject to UBIT.

- IRS regulations do permit “allocating” – so a portion of the corporate sponsor’s payment may be subject to UBIT if the payment is for something that provides the sponsor “substantial return benefit” but if another portion does not provide the benefit, then it is not subject to UBIT.

- “Exclusive arrangements” for sole sponsorship, the revenue to the exempt organization is subject to UBIT as advertising income.