



INDIANA UNIVERSITY

TO: All University Units
FROM: John Applegate, VP for Planning & Policy; Neil Theobald, VP and Chief Financial Officer
DATE: 3/3/09
RE: Sponsorship expenses and revenues

During the past few months, a committee representing several university offices has been working to better define and coordinate the guidelines for soliciting and accepting sponsorship opportunities by Indiana University. These opportunities involve the receipt of income from external entities (organizations that do not have a legal affiliation with Indiana University or were not specifically created for the benefit of the university) as well as expenditures made by Indiana University to sponsor external events or organizations. Although these are two distinct policy areas, there are shared issues and priorities that overlap, such as tax issues, coordination between and among units, and as always, prudent fiscal stewardship.

As a public institution, the university recognizes the appropriateness of deriving support for some of its activities through sponsorships. However, just as the university controls venues suitable for sponsorship activity, it has an obligation to protect its name and reputation, maintain the integrity of its sponsorship venues, and limit its liability as a consequence of accepting sponsorships. It is also important that the university maintain an atmosphere and level of decorum suitable for a distinguished academic institution. Therefore, the university must reserve the right to determine who may be a sponsor, and the nature and scope of the sponsorship activities.

Likewise, the university recognizes the value and importance of participating with community and professional organizations and being involved in international, national, state and local events. Issues to be considered in approving any sponsorship expenditures include the value and appropriateness of the proposed association with a particular entity, the reasonableness of the expenditure for the sponsorship arrangement, the public perception of the sponsorship and the internal coordination of the sponsorship across various institutional units.

Future policies will establish more formal guidelines that will assist university departments in determining the appropriateness of a sponsorship, and the financial and tax implications of sponsorship agreements. At the present time, in order to gain a better understanding of the extent of sponsorship income and expense across university units, the Office of the VP & CFO has created new object codes to be used in all university financial reporting of sponsorship income and expenditures. The sponsorship committee will review these data, as well as expenditures from IU Foundation accounts.

During the data collection effort, all current policies and procedures regarding contracts and signing authority will remain in effect. Generally, IU Foundation funds should continue to be used for sponsorship contributions. Existing policies like the trademark and licensing policy and the revenue producing activity policy should continue to be followed.

Object code: 1421

Sponsorship income- this includes revenues from external entities, such as corporations, to Indiana University in exchange for an acknowledgment. For these purposes, an acknowledgment is limited to one or more of the following types of information: (a) the name, business address, telephone number, fax number, and/or web address of the sponsor; (b) the sponsor's logos and/or established slogans; (c) value-neutral descriptions of the sponsor's products or services (including displays and visual depictions of such products or services); and (d) the sponsor's brand or trade names and product or service listings. The display of a sponsor's products or services at an event will be considered to be an acknowledgment. Payment received for an acknowledgment generally falls within the definition of a qualified sponsorship payment which would not be considered taxable income to the university.

Object code: 4880

Sponsorship expense- this includes payments to external entities such as community or charitable organizations for the purposes of donation, acknowledgment, event participation or attendance. Although the goal of the sponsorship may include some recognition/acknowledgement for the university or a specific unit, the sponsorship object code should be used if the money goes to an organization whose main mission is not public relations or advertising. For example, purchasing a table for a non-profit event in a local community may result in the university being acknowledged in a program book for its sponsorship of the event. In this case, the event should be reported on the sponsorship object code. However if the university or unit of the university purchases an ad in a publication by the non-profit then this is to be considered advertising and would be reported under the current advertising object code (4802).

Information will be gathered through September 30, 2009. During that time, the Office of the VP for Planning and Policy will continue to coordinate drafting of policies for these areas. Any questions, additional information or comments are welcome as you are making your decisions about how to categorize income and expenses.

Contacts:

Rosalind Gerstman
Assistant Vice President
Office of the Vice President and Chief Financial Officer
812-855-1123
gerstma@indiana.edu

Joan Hagen
Chief Accountant and Managing Director
Office of Financial Management Services
812-855-3657
jhagen@indiana.edu

Jennifer Kincaid
Director of Policy Administration
Office of the Vice President for Planning & Policy
812-856-1291
jenkinca@indiana.edu