



Nonprofit Fundraising – Sponsorships and Collaborations

Most nonprofits must register with the Colorado Secretary of State’s office prior to engaging in fundraising activities in Colorado. <https://www.sos.state.co.us/pubs/charities/instructions/charity/registration.html>.

Below are general guidelines on common fundraising events and campaigns. This fact sheet is not all inclusive and you should do additional research or retain legal counsel prior to engaging in these types of activities.

Sponsorships

- A sponsorship is a donation given with no expectation of a substantial return benefit other than acknowledgement by use of the name or logo of the business.
 - A substantial return benefit is anything with an aggregate fair market value greater than or equal to 2% of the amount of the sponsorship.
 - \$1,000 sponsor may receive up to \$20 benefit.
 - The sponsorship is considered taxable “unrelated business income” if the nonprofit confers significant benefit on the sponsor above the 2% allowed. Additionally, advertising is always considered unrelated business income even if the value is under 2%.
- It is acceptable to give away samples of the sponsors product during an event. However, the nonprofit cannot endorse the product or service.

Commercial Co-ventures

- A commercial co-venture is a sales promotion which is advertised to benefit a charitable organization. It is sometimes also referred to as a charitable sales promotion.
- A best practice is to document the agreement and to ensure expectations are clear regarding how the revenue will be split and whether there is a minimum or maximum amount of financial commitment.
- Nonprofits in Colorado must disclose any commercial co-ventures it contracted with in the prior year when registering annually with the Secretary of State’s office to solicit donations.
- It is critical that all advertisements for the sales promotion indicate the exact amount or percentage that is being donated in addition to any maximum amount for the donation.

Alternative to Commercial Co-Venture: Proud Supporter

- Use generic language, such as “Proud Supporter of...”
- Must not state that the purchase will benefit the charity.

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