

Commercial Sponsorship and Advertising Guidance – Version 4

- Ref: (a) DoD Instruction 1015.10 of 6 July 2009
(b) CNICINST 1710.3
(c) Financial Accounting Standard 157: Fair Value Measurements
(d) DoD Instruction 1015.15 of October 31, 2007 Incorporating Change 1, March 20, 2008
(e) Financial Management Regulations, Volume 13

This guide is provided to assist with processes for Navy MWR's accounting of commercial sponsorship and commercial advertising. It is DoD policy that Navy MWR will maintain records of all MWR events involving and benefitting from commercial sponsorship to include the sponsor's name, address, and type of organization; the type and amount of the sponsor's assistance; funding, goods, equipment or services provided; and the disposition and use of that assistance, funding, goods, equipment, or services within the MWR program, reference (b).

Commercial Sponsorship. Commercial sponsorship is authorized only for support of Navy MWR programs shown in reference (a). Commercial sponsorship may support the MWR program as a whole or may be in support of specific MWR events. Commercial Sponsorship is also allowed in support of community relations (COMREL) events, e.g., air shows and fleet week celebrations; and WFS (N91 and N95 program events), e.g., Warrior Games, Navy Gold Star events. It does not include volunteer work or activities or outright donations where no volunteer or donor recognition or acknowledgment is expected or required, nor does it include any products and services that are considered gifts or donations, nor any items considered to be premiums, coupons or limited samples. Any funds, products, services or items resulting from commercial sponsorship programs shall be used within the MWR, CYP, WFS and NWW programs.

The Business Office will work with the MWR commercial sponsorship coordinator to develop the proper tracking of agreements as well as invoicing sponsors and collection of cash, merchandise or services, if needed. The Business Office will develop proper controls to ensure financial accountability of the commercial sponsorship program.

Cash Commercial Sponsorship. Cash sponsorship will adhere to the following:

(1) The obligations and entitlements of the sponsor and the MWR program will be incorporated into a written Commercial Sponsorship Agreement (CSA) that shall be for a one-year period or less, reference (a). The Sponsor will provide payment in accordance with the terms of the CSA. If the CSA does not have a clause outlining use of funds, e.g., that the funds are to be used for a specific purpose, creating a contract obligation, the MWR activity is free to use those funds in general support of the MWR program, as would be appropriate with any other source of revenue. Through a commercial sponsorship program, MWR activities are able to

offer additional, unbudgeted events or enhancements to previously scheduled MWR events that otherwise would not be possible, reference (b).

(2) Payment for cash commercial sponsorship agreements will be paid by check, credit card or electronic funds transfer (EFT) payable to the Nonappropriated Fund Instrumentality (NAFI). Cash payments are not permitted.

(3) Cash sponsorships paid prior to the event will be recorded in general ledger (G/L) account 251011 Commercial Sponsorship Unearned Income. If the cash sponsorship has not been paid before the event occurs or the sponsor pays incrementally by month or quarter, a receivable will be established for those funds.

(4) All expenses incurred by Navy MWR in carrying out its obligations per the terms and conditions of the CSA will be recorded in the applicable activity cost center and G/L account(s) for the type of items or services expended by the MWR activity, e.g., contractual, inventory, supplies, manpower. Commercial sponsorship income will be recorded to offset MWR expenses incurred by debiting G/L 251011 and crediting G/L 571000 Commercial Sponsorship Revenue in the applicable activity cost center.

(5) The CSA will establish the period of performance. If funds are specified to be used for specific deliverables in the CSA, all revenue will be recognized in the time-period set forth in the CSA. If there are no dates specified, all revenue will be recognized within one year from the date the CSA is signed by the parties. For CSAs that require MWR to use sponsorship revenue in a specific manner, e.g., prizes for a specific MWR event, those revenues will be recognized within the time period set forth in the CSA. In those instances where there is no such requirement set forth in the CSA, all revenue from the commercial sponsorship is recognized within one year from the date the CSA is signed by the parties.

(6) Sponsorship cash remaining after covering program expenses incurred in executing its Obligations, as set forth in the CSA, will be used by Navy MWR, CYP, WFS and NWW in the general support of the programs. These revenues may be used in support of unbudgeted MWR events or to enhance previously scheduled MWR events. Cash sponsorship funds remaining in account 251011 will be transferred, in full, to a designated cost center(s) under account 571000 Commercial Sponsorship Revenue by the end date of the CSA period. Account 251011 will be reconciled monthly to ensure revenue is being recognized timely and that remaining balances are for open CSAs.

In-kind Commercial Sponsorship. Commercial sponsorship can provide Navy MWR with financial assistance through goods, equipment and services, or any combination, thereof. This can provide budget-relieving and/or event enhancing support. In-kind sponsorship will adhere to the following:

(1) For goods, equipment or services, the MWR commercial sponsorship coordinator will determine the value, (references (c, d, and e)). The value of goods, equipment or services is the price that would be received to sell an asset in an orderly transaction between market participants

at the measurement date, or the date the income is recorded. For bulk items, the value recorded is the value of the goods at retail or wholesale. This value can be determined with the assistance of the Business Office, Procurement, Internet, and with the assistance of the Sponsor, if needed. This value will be annotated on the CSA and used for the revenue and expense recognition. In-kind sponsorship can generally be divided into two categories, discussed below, and will be posted to G/L accounts depending on the category.

(a) Budget Relieving. These are products and services that, if not provided through the sponsorship, would have been purchased by the Program. Budget relieving agreements will be posted to G/L 571100, "In-kind Commercial Sponsorship Revenue Budget Relieving," and an offsetting entry to "781571, In-kind Commercial Sponsorship Expense."

(b) Event Enhancing. These products and services are not required to execute the MWR event. This type of sponsorship generally enhances the patrons' participation. Examples include event participation prizes and other plus-ups. Because this type of sponsorship has potential to increase event attendance and improve the patron's' experience, it has value, but not the same level of value as "budget-relieving" sponsorship. Event enhancing sponsorship does not have a positive or negative financial effect on the program and will be posted to G/L 571200, In-kind Commercial Sponsorship Revenue Event Enhancing, and an offsetting entry to 781571, In-kind Commercial Sponsorship Expense.

Commercial Advertising. MWR programs may sell space for commercial advertising in any media produced for, or prepared by the MWR program, reference (a). Commercial advertising agreements, payable by an advertiser to Navy MWR, will adhere to the following:

a. Commercial advertising funds are deposited and recorded to G/L account 251014 Unearned Income Advertising.

b. All commercial advertising funds are "earned" at the time services are rendered or over the period of the agreement. Funds will be transferred from unearned income 251014 to 569001 Advertising Revenue within the terms of the agreement. If the advertising agreement extends more than one month, revenue may be amortized using the following methods: (1) monthly over the term of the agreement, or (2) at the end of the agreement. If the end of the agreement method is chosen and the advertising agreement crosses fiscal years, an appropriate amount of revenue will be recognized in each fiscal year.

In-kind Advertising. In-kind Advertising can provide Navy MWR with financial assistance through goods, equipment and services, or any combination, thereof.

(1) For goods, equipment or services, the MWR commercial sponsorship coordinator will determine the value, (references (c, d, and e)). The value of goods, equipment or services is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, or the date the income is recorded. This value can be determined with the assistance of the Business Office, Procurement, Internet, and with the

assistance of the Advertiser, if needed. This value will be annotated on the in-kind advertising agreement and used for the revenue and expense recognition.

- (2) In-kind Advertising will be posted to G/L 569001 Advertising Revenue with the offsetting expense to **G/L 781000 Advertising and Promotion** with In-kind advertising noted in the text field.

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