

KANSAS STATE UNIVERSITY
FOUNDATION

Title	Joint Venture Policy	Version	2
Committee:	Governance Committee	Approval Date	12/16/2014
Approved By	Fred Cholick (President / Chief Executive Officer) and Governance Committee	Approval Date	12/16/2014

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Rationale

Joint ventures represent an opportunity and a risk to the Kansas State University Foundation (“Foundation”). The purpose of this policy is to establish standards for the Foundation’s participation in Joint Ventures which advance the Foundation’s mission while preserving its tax-exempt status.

Applies to

This policy applies to members of the Board of Directors of the Foundation, Foundation investment department employees and any other Foundation employees who are involved with the management of a Joint Venture activity.

Policy

The Foundation has received 501(c)(3) exempt organization status by the Internal Revenue Service and therefore is to be operated exclusively for religious, charitable, scientific, literary, and educational purposes. Without limiting the generality of the foregoing, the purposes of the Foundation shall be to help, assist, promote, support, and advance the interests of Kansas State University (“University”), a land grant university that is operated by the state of Kansas.

Additionally, the Foundation’s mission provides that:

1. It is organized and operated exclusively for purposes that are described in Internal Revenue Code section 170(b)(1)(A)(iv). Therefore the Foundation is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University.
2. Notwithstanding any other provision provided in the Amended and Restated Articles of Incorporation, the Foundation shall not carry on any activities that are not permitted to be carried on by an organization described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code or that are not permitted to be carried on by an organization for which contributions to it are deductible under section 170 of the Code.

If the Foundation contemplates entering into a venture or arrangement, the following tenets will be followed:

1. **Protection of Tax-exempt Status:** If management is pursuing or considering a venture or arrangement, management shall negotiate, in its transactions and arrangements with other members of the venture or arrangement, such terms and safeguards as are adequate to ensure that the Foundation's federal and state exempt status is protected.
2. **Control:** The Foundation shall maintain control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the Foundation.
3. **Priority of Tax-exempt purpose:** The Foundation shall require that the venture or arrangement gives priority to its exempt purposes over maximizing profits for the other participants.
4. **Arms' Length Standard:** All contracts entered into with the Foundation shall be on terms that are at arm's length or more favorable to the Foundation.
5. **Reporting:** The venture or arrangement operating agreement shall require that the Foundation receive timely and properly prepared information as is necessary for the Foundation to prepare and timely file its annual IRS Form 990 and 990T.

Definitions

Term	Definition
Joint Venture or similar arrangement	Joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment or exempt-purpose activity.

Procedures

The following procedures will be followed:

1. **Negotiation:** The venture or arrangement will be negotiated by the Foundation's management who will further consult with legal and tax counsel.
2. **Proposal:** A written proposal for entering into a venture or arrangement shall include:
 - a. A statement as to why it is important for the Foundation to participate in the venture or arrangement.
 - b. Why the venture or arrangement furthers the Foundation mission.

- c. Statement as to the scope of the relationship with other venture members and how financial risks and rewards will be shared.
 - d. Analysis as to whether the transaction is subject to treatment as unrelated business income and
 - e. Analysis as to whether any venture or arrangement real property will be subject to state and local property taxes.
3. **Approval:** The venture or arrangement proposal will be approved by the Governance Committee (in consultation with the Finance & Audit Committee as needed). The Governance Committee will submit the recommended venture or arrangement proposal to the Board of Directors for its final approval.

References & Links

There are no references or links applicable to this policy.

Contact

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