



[Banner below indicates who needs to review policy. Most common example: University Community (faculty, staff and students)]



SUBJECT (R*)	EFFECTIVE DATE (R*)	POLICY NUMBER (O*)
FIU Foundation, Inc. (“Foundation”) Joint Venture Policy	March 16, 2011	

POLICY STATEMENT (R*)

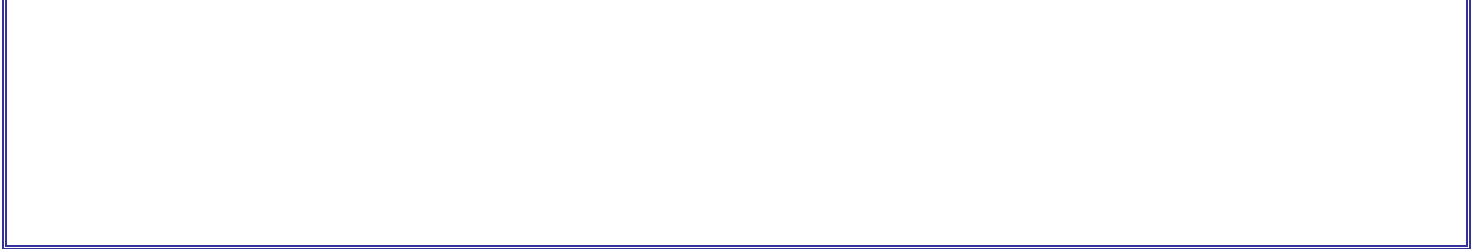
The Foundation will evaluate its participation in joint venture business arrangements on a case-by-case basis under applicable federal tax laws and take the necessary precautions to safeguard the Foundation’s tax exempt status. This policy applies to any joint ownership or contractual arrangement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity.

REASON FOR POLICY (O*)

There are several legal structures that may be used to establish a joint venture, such as a partnership, limited liability company (LLC), or other arrangement. These arrangements may be formed between taxable and exempt entities; however, it is essential to analyze such ventures on a case-by-case basis to ensure the venture furthers the Foundation’s exempt purpose and if not, to confirm it is an insubstantial part of the Foundation’s activities. These factors, as well as the degree of control maintained by the Foundation over the venture, must be carefully analyzed so as to avoid jeopardizing the Foundation’s exempt status through participation in the joint venture and address any other pertinent tax issues, such as the potential applicability of unrelated business income tax (UBIT).

RELATED INFORMATION (O*)

IRS Rev. Rul. 2004-51 sets forth the test applied by the IRS when evaluating such ventures. IRS Rev. Rul. 98-15 indicates that control over the operational and organizational structure of a venture is crucial in the evaluation of these types of transactions. The 2009 Instructions to the IRS Form 990 provides guidance in connection with the reporting requirements for such ventures.



DEFINITIONS (R*)

Joint Venture Arrangements (and other similar joint projects):

For the purposes of this policy, a joint venture or similar arrangement means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to: (1) whether the foundation controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is treated as a partnership, association or corporation for federal income tax purposes.

A venture or arrangement is disregarded for Form 990 reporting purposes if it meets **both** of the following conditions:

- (a) 95% or more of the venture's or arrangement's income for its tax year ending within the foundation's tax year is excluded from UBIT under Internal Revenue Code Section 512(b)(1)-(5), (includes (i) dividends, interest, and annuities; (ii) royalties; (iii) rent from real property and incidental related personal property except to the extent of debt-financing; and (iv) gains or losses from the sale of property); and
- (b) The primary purpose of the Organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

PROCEDURES (O*)

To safeguard FIU Foundation's tax exempt status the Foundation will:

- A. Perform due diligence with respect to any joint venture arrangements and obtain legal review related to any transaction before its inception.
- B. Make a determination on whether the proposed activity is substantially related or ancillary to the Foundation's activities and purpose.
- C. Pay particular attention to activities that would cause the Foundation to recognize unrelated business income tax ("UBIT") on its share of profits and obtain tax advice in those situations.
- D. Negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the Foundation's tax exempt status is protected. Some examples of safeguards include:
 - (i) control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the organization;
 - (ii) require that the venture or arrangement give priority to exempt purposes over maximizing profits for the other participants;

(iii) require that the venture or arrangement not engage in activities that would jeopardize the Organization's exemption; and

(iv) confirm that all contracts entered into with the organization be on terms that are arm's length or more favorable to the Organization.

- E. Obtain review by the Foundation Assistant Treasurer and Foundation President/CEO, followed by approval of the Foundation's Finance & Audit Committee and the Board of Directors or Executive Committee. For arrangements that are deemed insubstantial and are limited to the Foundation's passive investment solely as a limited partner or non-managing partner on the recommendation of the Foundation's investment advisors, approval shall only be required by the Investment Committee in accordance with the Foundation's Investment Policy.

RESPONSIBILITIES (O*)

HISTORY (R*)

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)

FIU Foundation, Inc.

RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)

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For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

FORMS/ONLINE PROCESSES (O*)

Link to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

***R = Required *O = Optional**