

F6 – Policies - Joint Venture and Similar Arrangements

Scope

This policy applies to any joint venture or similar arrangement between District 742 Local Education Activities Foundation (Organization) and one or more taxable persons, regardless of whether the venture or arrangement is taxed as a partnership or a corporation for federal income tax purposes. A joint venture or arrangement with a taxable person is subject to this policy whether the purpose is to conduct an exempt activity, an investment activity or an unrelated trade or business activity, regardless of whether this organization controls the joint venture or arrangement. However, a joint venture or arrangement that meets both the following conditions is not subject to this policy:

1. 95% or more of the venture's or arrangement's income with or within the organization's tax year consists of:
 - Dividends, interests, payments with respect to securities loans, amounts received or accrued as consideration for entering into agreements to make loans, and annuities;
 - Royalties;
 - Rents from real property and rents from personal property leased with real property if the rents attributable to the personal property are an incidental amount of the total rents (determined at the time the personal property is placed in service), but not if more than 50% of the total rent under a lease is attributable to personal property or if the determination of the rent depends in whole or in part on income or profits derived from the property leased;
 - All gains or losses from the sale, exchange or other disposition of property other than stock and trade or inventory, or property held primarily for sale to customers in the ordinary course of a trade or business; and
 - Other income described in Sections 512(b)(1)-(5) of the Internal Revenue Code of 1986, as amended; and
2. The primary purpose of this organization's contribution to or investment or participation in the venture or arrangement is the production of income or appreciation of property.

Policy

Before this organization enters into a joint venture or arrangement that is within the scope of this policy, it will negotiate with and require of other members of the joint venture or arrangement such terms and safeguards as may be adequate to ensure that this organization's exempt status is protected. During this organization's participation in the joint venture or arrangement that is within the scope of this policy, the organization will

take steps to safeguard the organization's exempt status with respect to the venture or arrangement.

Examples of safeguards include: control over the venture or arrangement sufficient to ensure that the venture or arrangement furthers the exempt purpose of this organization; requiring the venture or arrangement to give priority to exempt purposes over maximizing profits for other participants; ensuring that the joint venture or arrangement does not engage in activities that would jeopardize this organization's exemption; and requiring that all contracts entered into by this organization with or with respect to the joint venture or arrangement be on terms that are arms-length or more favorable to this organization.

Adopted December 2008

Reviewed and Updated 2021