

System-wide Policy: BT0029 - Policy on Related Foundations	
Version: 2	Effective Date:06/21/2019

Board of Trustees
Policy on Related Foundations

SECTION 1. PURPOSE

The University of Tennessee Board of Trustees hereby acknowledges the advantages and benefits of related foundations in achieving the overall missions of the University. As an instrumentality of the State of Tennessee, the University has certain statutory, policy, and fiscal responsibilities. Foundations exist as a viable and constructive way to address unintended limitations imposed on public higher education while not circumventing legal or ethical considerations. Many institutions of higher education have multiple related foundations to address a variety of mission specific objectives. Accordingly, it is not an anomaly in higher education to have one or more related foundations as each foundation serves different roles and constituencies within the enterprise. However, accountability of related foundations, and of the institution as it relates to the foundation, are common concerns to the foundation, the institution, and the governing boards.

The University of Tennessee has three related supporting foundations. Each of the three foundations has a unique history, and each serves a unique purpose. Given this uniqueness in the history and purpose of the three foundations, differences in how the University relates to the foundations are reasonable and appropriate. The purpose of this policy is to articulate the role and responsibilities of the University Board of Trustees with respect to related foundations and thereby foster a sound and mutually supportive relationship that will strengthen foundation operations and enhance their advantages and benefits to the University.

SECTION 2. THE UNIVERSITY OF TENNESSEE RESEARCH FOUNDATION

A. Relationship to the University. The University of Tennessee Research Foundation (UTRF) is a legally separate tax-exempt entity formed in 2003 as a reformation of The University of Tennessee Research Corporation (founded in 1934). This reformation resulted from specific legislative action authorizing the University to form legal entities for the purpose of promoting, supporting, and carrying out the University's research mission, to formulate the commercialization of research outcomes, and in furtherance of the economic development of the state (T.C.A. §§ 49-9-1401 to -1409). Under the terms of the amended corporate charter, The University of Tennessee is beneficiary of the remainder interest in UTRF upon its dissolution, after first providing for the payment and discharge of any UTRF liabilities. UTRF is governed

System-wide Policy: BT0029 - Policy on Related Foundations	
Version: 2	Effective Date:06/21/2019

by a board of directors comprised of ten (10) individuals, including University representatives and external representatives, seven (7) of whom are voting directors and three (3) of whom are non-voting directors.

B. Role and Responsibilities of the Board of Trustees. The following activities will define the role and responsibilities of The University of Tennessee Board of Trustees in ascertaining that the UTRF is operating in an acceptable manner for the benefit of the University and is safeguarding public assets from waste and abuse.

1. The Board of Trustees will cause a cooperating agreement between UTRF and The University of Tennessee to be executed that describes the roles and responsibilities of each party. The cooperating agreement shall provide for at least one (1) appointed Trustee on the UTRF governing board. The cooperating agreement shall be subject to the approval of the Board of Trustees.
2. The Board of Trustees will review the cooperating agreement every five years to ascertain that all responsibilities and conditions continue to be represented in the cooperating agreement and reaffirm the advantages of having a related foundation supporting the University's research mission.
3. An annual report will be delivered to the Board of Trustees that highlights UTRF operations for the year, presents the annual UTRF budget, and identifies any activities that could potentially give rise to a University liability.
4. UTRF activities that create a liability for the University shall be approved by officials designated in the agreement and reported to the Board of Trustees.
5. The annual UTRF audit will be presented to the Audit and Compliance Committee of the Board of Trustees at the committee meeting following receipt of the report by the University.
6. UTRF will be displayed as a discrete component unit of the University on its audited financial statements at such time its operations become "material" as defined by the state comptroller's office.

SECTION 3. THE UNIVERSITY OF CHATTANOOGA FOUNDATION

A. Relationship to the University. The University of Chattanooga Foundation (UCF), formed in 1969 in conjunction with the merger of the private University of Chattanooga with The University of Tennessee, is a legally separate tax-exempt entity supporting The University of Tennessee at Chattanooga. The UCF acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of the Chattanooga campus. The UCF is governed by a board of no fewer than seven (7) and no more than forty-two (42) elected, voting members.

System-wide Policy: BT0029 - Policy on Related Foundations	
Version: 2	Effective Date:06/21/2019

The President of The University of Tennessee, the Chancellor of The University of Tennessee at Chattanooga, and the Chairman of the Chancellor’s Roundtable serve as ex officio, non-voting members of the board. Although the University does not control the timing or amount of receipts from the UCF, resources are held and invested by the UCF for the benefit of The University of Tennessee at Chattanooga. The UCF organization includes a subsidiary, the Campus Development Foundation, Inc. (CDFI), that was formed in 2001 to engage in charitable, scientific, and educational projects. The projects include but are not limited to the acquisition of real property and the construction, management, and operation of various physical facilities benefiting The University of Tennessee at Chattanooga.

B. Role and Responsibilities of the Board of Trustees. The following activities will define the role and responsibilities of The University of Tennessee Board of Trustees in ascertaining that the UCF is operating in an acceptable manner for the benefit of the University and is safeguarding public assets from waste and abuse.

1. The Board of Trustees will cause a cooperating agreement between UCF and The University of Tennessee to be executed that describes the roles and responsibilities of each party. The cooperating agreement shall provide for at least one (1) appointed Trustee on the UCF governing board. The cooperating agreement shall be subject to the approval of the Board of Trustees.
2. The Board of Trustees will review the cooperating agreement every five years to ascertain that all responsibilities and conditions continue to be represented in the cooperating agreement and reaffirm the advantages of having a related foundation to support The University of Tennessee at Chattanooga.
3. An annual report will be delivered to the Board of Trustees that highlights UCF operations for the year, presents the annual UCF budget support for the Chattanooga campus, and identifies any activities that could potentially give rise to a University liability.
4. UCF activities that create a liability for the University shall be approved by officials designated in the cooperating agreement and reported to the full Board of Trustees.
5. The annual UCF audit will be presented to the Audit and Compliance Committee of the Board of Trustees at the committee meeting following receipt of the report by the University.
6. UCF will be displayed as a discrete component unit of the University on its audited financial statements.

System-wide Policy:	
BT0029 - Policy on Related Foundations	
Version: 2	Effective Date:06/21/2019

SECTION 4. THE UNIVERSITY OF TENNESSEE FOUNDATION

A. Relationship to the University. The University of Tennessee Foundation (UTF) was organized and incorporated in the State of Tennessee in 2000 as a nonprofit public benefit corporation formed exclusively for charitable, scientific, literary, and educational purposes with the meaning of IRC section 501(c)(3) and specifically for the exclusive purpose of benefiting the educational, research, and public service missions of the University. The General Assembly of the State of Tennessee has expressly authorized and empowered The University of Tennessee Board of Trustees to take such steps, to enter into such agreements, and to do whatever it may deem necessary for the establishment of foundations in support of the University (T.C.A. § 49-7-107). UTF acts as a fund-raising organization to supplement the resources available to the University for the support of its programs. The UTF is governed by a board of directors comprised of no fewer than eleven (11) and no more than thirty-five (35) elected, voting directors and various University officials who serve as ex officio, voting or non-voting directors. Although the University does not control the timing or amount of receipts from the UTF, the resources are held and invested by the UTF for the benefit of The University of Tennessee.

The UTF organization includes various single member LLC's created for the acceptance and development of real property with related activities and revenues benefiting campuses of The University of Tennessee.

B. Role and Responsibilities of the Board of Trustees. The following activities will define the role and responsibilities of The University of Tennessee Board of Trustees in ascertaining that the UTF is operating in an acceptable manner for the benefit of the University and is safeguarding public assets from waste and abuse.

1. The Board of Trustees will cause a cooperating agreement between UTF and The University of Tennessee to be executed that describes the roles and responsibilities of each party. The cooperating agreement shall provide for at least one (1) appointed Trustee on the UTF governing board. The cooperating agreement shall be subject to the approval of the Board of Trustees.
2. The Board of Trustees will review the cooperating agreement every five years to ascertain that all responsibilities and conditions continue to be represented in the cooperating agreement and reaffirm the advantages of having a related foundation to supplement resources available to the University for the support of its programs.

System-wide Policy: BT0029 - Policy on Related Foundations	
Version: 2	Effective Date:06/21/2019

3. An annual report will be delivered to the Board of Trustees that highlights UTF operations for the year, presents the annual UTF budget, and identifies any activities that could potentially give rise to a University liability.
4. UTF activities that create a liability for the University shall be approved by the officials designated in the cooperating agreement and reported to the full Board of Trustees.
5. The annual UTF audit will be presented to the Audit and Compliance Committee of the Board of Trustees at the committee meeting following receipt of the report by the University.
6. UTF will be displayed as a discrete component unit of the University on its audited financial statements.

History:

Adopted	11/09/2007
Revised	06/21/2019