Board Policy – Joint Venture

1. **Purpose**
    a. The purpose of this Joint Venture Policy is to protect the non-profit status of the school. This policy requires that Forest Ranch Charter School evaluate its participation in joint venture arrangements under Federal tax law and take steps to safeguard the School's exempt status with respect to such arrangements. It applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy.
2. **Joint Ventures with Taxable Entities**
    a. For purposes of this policy, a joint venture or similar arrangement (or a "venture or 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:
        i. whether the school controls the venture or arrangement;
        ii. the legal structure of the venture or arrangement; or
        iii. whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes. A venture or arrangement is disregarded if it meets both of the following conditions:
            1. 95% or more of the venture's or arrangement's income for its tax year ending within the school's tax year is excluded from unrelated business income taxation [including but not limited to: (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
            2. 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.
3. **Safeguards to Ensure Exempt Status Protection**
    a. The school will:
        i. negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the school's exempt status is protected; and

ii. take steps to safeguard the school's exempt status with respect to the venture or arrangement. Some examples of safeguards include:

1. control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the organization;
2. requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;
3. that the venture or arrangement not engage in activities that would jeopardize the school's exemption; and
4. that all contracts entered into with the organization be on terms that are arm's length or more favorable to the school.

4. Adoption

a. This board policy was originally adopted by the Forest Ranch Charter School governing board on May 19, 2009.

b. This board policy was reviewed and approved by the Forest Ranch Charter School governing board on June 20, 2017.

c. The next annual review will occur on or before June 20, 2018.